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REX TRUEFORM IN THE AGE OF GLOBALIZATION

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MNJPAU001

**A minor dissertation submitted in partial fulfillment of the requirements for
the award of the degree of Master of Arts in History.**

University of Cape Town

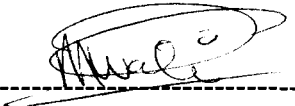
Faculty of Humanities

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October 2007

Declaration

This work has not been previously submitted in whole, or in part, for the award of any degree. It is my own work. Each significant contribution to, and quotation in, this dissertation from the work, or works, of other people has been attributed, and has been cited and referenced.

Signature  Date 26-02-2008

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ACKNOWLEDGEMENT

I would like extend great thanks to the University of Cape Town Post-Graduate Funding Office and the Eric Abrahams Refugee Scholarship Scheme for facilitating my studies through their generous financial assistance that enabled me to successfully complete this academic year.

The role played by the staff of the South African National Library Cape Town; the African Studies and Government Publications libraries at UCT is very much appreciated. Their openness and willingness to assist was of great help. The assistance of Professor Milton Shain in directing me to some very important sources is well appreciated.

I am highly indebted to Professor Howard Phillips who assisted me in formulating the topic. The professional and motherly concern of Brenda Beneke is very much appreciated. I would like to thank Mr. ET Mulu for being a real friend to me.

I would like to extend special thanks to my supervisor Lance Van Sittert. His professional, invaluable input and his total dedication to assisting me in both the research and the writing of my thesis were instrumental in the completion of this task. Apart from being a supervisor, he was a mentor to me. He has taught me the art of critical judgment that will assist me greatly in future.

ABSTRACT

This thesis focuses on the closure of the Rex Trueform manufacturing plant in Salt River in 2005. Although of a contemporary nature, it draws from the historical experience of the South African economy, the clothing industry in general and Rex Trueform in particular. This thesis argues that the claims made by companies in the clothing sector including Rex Trueform about globalization were disingenuous. It shows that although South Africa's economy had a long history of tariff protection and government incentives; this did not prejudice exports. Despite the lack of an export culture within the national economy, Rex Trueform supplied out an export market even in times of national economic stagnation.

The research shows that Rex Trueform's claim that the reason for leasing its Salt River manufacturing plant was its unprofitability due to 'unhealthy competition', caused by globalization should not be accepted at face value. Rather Rex Trueform migrated up the value chain into retailing cheaper imported garments and needed to shed its manufacturing arm.

To support this hypothesis, the research examined the company's involvement in the international market up to 1994 when South Africa rejoined the global market economy by way of comparison with its activities between 1994 and 2005 when it finally leased its Salt River manufacturing plant for five years to the House of Monatic. The study shows that although Rex Trueform was forced by changing market conditions to move up the value chain and shed its manufacturing division, many questions remain unanswered.

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INTRODUCTION

The announcement in March 2005 of the imminent closure of the Rex Trueform manufacturing plant in Salt River created a large impact on the Cape Town economy in view of the nearly 1000 jobs that were at risk. The reason for the closure, according to management, was due to globalization. South African companies were ill-equipped to face competition from imports considering their long history of tariff protection and government subsidies. The import substitution policy and late apartheid siege economy had long shielded South African manufacturers from this challenge to their national market.

Although tariffs and incentives instituted by the Apartheid government within the clothing industry did not directly prejudice export, it encouraged clothing companies to concentrate on the domestic market. Only after 1970 did government seek to foster an export culture through incentives. Sanctions during the 1980s contributed to the non-realisation of these policy objectives. An effort by the post-1994 democratic government to revamp economic policies was not well received by the clothing industry. The African National Congress (ANC) policies formulated before the 1994 election were used as the basis for a policy shift aimed at turning the economy around. Such documents included; the Reconstruction and Development Programme (RDP) and later the Growth, Employment and Redistribution Strategy (GEAR). Despite the institutionalisation of these policies, restructuring and closures rocked the clothing industry after 1994. Globalization became a major reason cited by companies in the clothing industry, including Rex Trueform, to justify their decisions to close or restructure their businesses.

The thesis explores this contention and argues that while broadly true, reasons other than those emphasised by capital were salient. Far from being a victim, big capital in the clothing industry, like Rex Trueform, has been a beneficiary of cheap imports which have allowed it to shed its loss making manufacturing arm and migrate up the value chain into retailing where its main assets in the new neoliberal economic landscape are not its manufacturing capacity but its brand ownership. The Rex Trueform example is instructive because the company has been globalized for three decades prior to 1994 and so contradicts the notion of protected industries as

uncompetitive. The post-1994 restructuring can only be understood in that context as a necessary adaptation to changing market conditions.

The contemporary nature of the topic and the subsequent leasing and/or change of ownership at Rex Trueform limited the acquisition of certain important documents in an attempt to fully analyse the issues at stake. Attempts to acquire documents that could provide crucial information on the import-export statistics of the company proved to be a difficult task. Furthermore, attempts to conduct interviews with the present owners to get first hand information on why the decision was taken to acquire a company declared unprofitable by its previous owners were unsuccessful. All attempts to conduct interviews failed because factory bosses gave false appointments that were never respected. In some cases I was put on hold for an unlimited period of time. On most cases the person recommended by the company to attend to me was either never available or too busy to attend to me, and followup appointments were never respected. As a result, my supervisor insisted on the non-utilisation of interviews that proved to be time consuming and unfruitful. It is also for this reason that information on employment statistics at Rex Trueform could not be obtained, necessitating a reliance on national and provincial statistics. I do recognise that the use of official statistics is problematic, but they are only available as quantitative data to provide valuable information about the industry. As a result there are important gaps in the evidence. Readers should therefore be aware that this has constrained conclusions, some of which are of necessity, tentative or even speculative. I have endeavoured to stay as close as possible to the sources and to indicate when the analysis is circumstantial.

The work is divided into four chapters. Chapter one is an overview of South Africa's economic policies. It reviews the import substitution policy introduced before 1970 and in particular the tariffs introduced to protect the clothing industry. The change of economic policy in the 1970s from import substitution to export promotion is recognised as a watershed. The chapter also looks at the limitations on the implementation of the aims and objectives of the new economic policy as a result of sanctions imposed on the apartheid government by the international community. Lastly, the chapter reviews the economic policies introduced by the democratic

government after the 1994 election to determine the basis of the South African clothing industry pessimism.

Chapter two outlines the historical origins of Rex Trueform. It examines the company's growth and subsequent expansion both locally and internationally during the apartheid era. In particular, it emphasises Rex Trueform's international affiliations within the global clothing export market.

Chapter three covers the company's activities between 1994 and 2005. It seeks to reconstruct the events that led to the closure of the Salt River factory. In particular the company's export activities after 1994 are taken as indicative of a change of attitude towards the manufacturing sector following the establishment of a retail division, Queenspark. This chapter also shows the various attempts made by the South African government to rescue the clothing industry and the role played by the volatile nature of the Rand in limiting the successes of both the government and companies like Rex Trueform. The chapter shows how Rex Trueform gradually migrated from manufacturing up the retail chain due to the loss of major customers abroad. In order to effectively compete with other retail outlets that sourced cheaper garments from Asia, Rex Trueform established its own retail outlet, Queenspark, in 1990 as a survival mechanism.

Chapter four looks at the consequences of the closure of Rex Trueform on the local economy and shows that the intervention of the provincial government and the Southern African Clothing and Textile Workers Union (SACTWU) was important in determining the outcome. It also outlines the leasing of Rex Trueform's Salt River plant by the House of Monatic, beginning in January 2006.

The concluding chapter summarises the main arguments of the thesis. It looks at the links that exist between apartheid and post-apartheid economic policies and their combined impact on the present situation in the garment industry. It also shows the controversies surrounding the take-over at Rex Trueform Salt River. Furthermore, it emphasises that certain pertinent questions concerning the fate of the Salt River manufacturing plant can be answered only after the five year lease expires.

CHAPTER ONE

GLOBALIZATION AND THE SOUTH AFRICAN CLOTHING INDUSTRY

Introduction

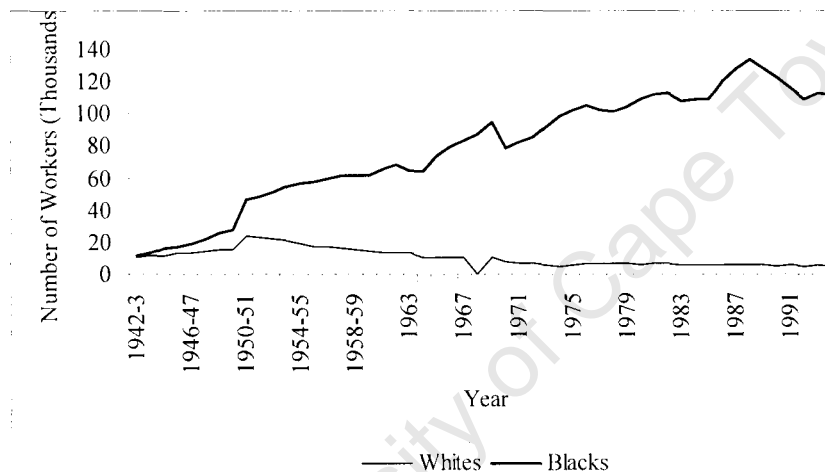
This chapter examines the South African clothing industry historically and how it was influenced by government economic policies. Policies formulated by the democratic government of South Africa after 1994 and the sector's reaction towards South Africa's re-entry into the global market are also covered in this chapter. The economic policies of the apartheid and post-apartheid eras are paramount because they provide the context within which to understand the forces at work in the clothing industry after 1994. The chapter will show that the common assumption that the inward-looking policy adopted by the apartheid government acted as a brake on the country's export market is too broad a generalisation. The success of Rex Trueform in the export markets during the period of protected import substitution industrialisation is an important corrective to this view. The general importance of the South African clothing industry during the period of protection through the creation of employment also constitutes a part of this chapter.

South African Economic Policies and the Clothing Industry up to the 1970s

From the Union in 1910 to about 1925 South African foreign trade policy was characterised by a liberal, laissez-faire approach towards international trade. The South African clothing industry was thereafter influenced by a government trade policy that focused more on import substitution rather than export promotion. The inward-looking protection policies adopted by successive South African governments, with regard to the clothing industry, were intended to encourage local production. Due to the labour intensive nature of the clothing industry, it was capable of absorbing a large proportion of the country's largely unskilled and semi-skilled labour force as demonstrated on Figures 1 and 2 below. In a country characterized by a shortage of skilled labour, the government considered it an obligation to promote such labour

intensive industries.¹ Merle Holden acknowledges that this policy of import substitution was in line with the policy trend of developing countries at the time that were prejudiced against export promotion by their concern with poverty alleviation through employment. Their growth was regarded as paramount as it was beneficial to the local economies.² Most of the late developing economies including South Africa regarded import substitution as a channel to enable the government to control the national markets while guarding them against competition from the developed nations. It targeted the protection of those sectors of the economy that were regarded as vital to economic development, especially in the domain of curbing increasing unemployment.

Figure 1: National Employment in the South African clothing industry 1942-94.³



¹ Board of Trade and Industry. The development and structural adjustment programme of the apparel textile and clothing industries, Report No. 2646, Government Printers, 1989, p.41.

² Holden, M. 'The choice of trade strategy: past reflections and future prospects', In Nattrass, N. & Ardington, E. (Eds). The Political Economy of South Africa, p.260.

³ Census of industrial establishments 1945-46, Government Printers: Pretoria, 1954, p.32/Census of industrial establishments 1946-47, Pretoria 1950, p.32/Census of industrial establishments 1947-48, 1948-49 and 1949-50, Pretoria 1954, p.52/Summary of Industry Reports Nos. I.C.18 to 21, Industrial censuses, 1950-51 to 1960-61; Report No. I.C. 22, Pretoria, November 1965, p.8/Industrial census 1961-62; Report No. 303, Pretoria April 1967, pp. 21&27/ Monthly Bulletin of Statistics, Volume XLIII, No.1, January 1964, pp. 23-25/ Monthly Bulletin of statistics, Volume XLIV, No. 7, July 1965, p.21/ Bureau of statistics, Quarter Ending, Volume XLV1, No.1, January 1967, p.22/Bulletin of statistics, Quarter Ending, Volume2, No.1, March 1968, p.22/Bureau of Statistics, Quarter Ending, Volume 4, No.1 March 1970./ Hendrie, D. Southern Africa Labour and Development Research Unit: Employment and earnings Statistics for the South African Manufacturing Sector, 1970-79, Volume 1, April 1981/South African Labour Statistics 1986: D1, D6, p.40/South African Labour Statistics, 1995, p.2.29.

Cognisant of the fact that the inflow of clothing items from other countries could hinder the growth of South Africa's infant industries within the clothing sector, thus affecting the industry's ability to absorb the increasing number of unemployed, the South African government instituted tariffs as a protective measure. As a result, the South African clothing industry witnessed the institutionalisation of a customs tariff. For example, in 1932 the government introduced a dumping duty on complete suits, jackets, waistcoats, trousers and overcoats.⁴ The tariff was meant to encourage the production of similar goods within the country, especially where South Africa possessed the capacity required for such ventures. Although the South African government had a racially inclined agenda that coloured its protection policy, the underlying objectives were deemed to be economically beneficial to the whole population in the long run.

The record shows that the clothing industry nationally since 1933 maintained a large labour absorption capacity. By 1933 employment within the South African clothing industry had already grown to 14, 276 workers, and by 1938 that number increased to 18, 250. By 1945, employment had grown to 30, 321.⁵ Between 1950 and 1951 total employment within this sector had risen to 70 550. This number continued to rise over the years as shown by Figure 1 above. The ability of the clothing industry to absorb such large numbers of workers depended on government protection and subsidies. Conversely, the government needed this sector in reducing unemployment.⁶

Owing to the fact that the clothing industry is labour intensive and requires more unskilled and semi-skilled labour, the number of Africans, coloureds and Asians increased over the years. The total number of workers employed in 1970 was 85, 445 and by 1979 the number had risen to 109, 900 including whites. The clothing industry reached its maximum absorption capacity in 1988 when total employment reached 139 289 as the economy underwent a significant recovery beginning in 1987.⁷

⁴ The Policy of Protection in regard to Textiles and Clothing, p.60.

⁵ Pretoria. Office of Census and Statistics: Census of Industrial establishments 1945-46, p.32.

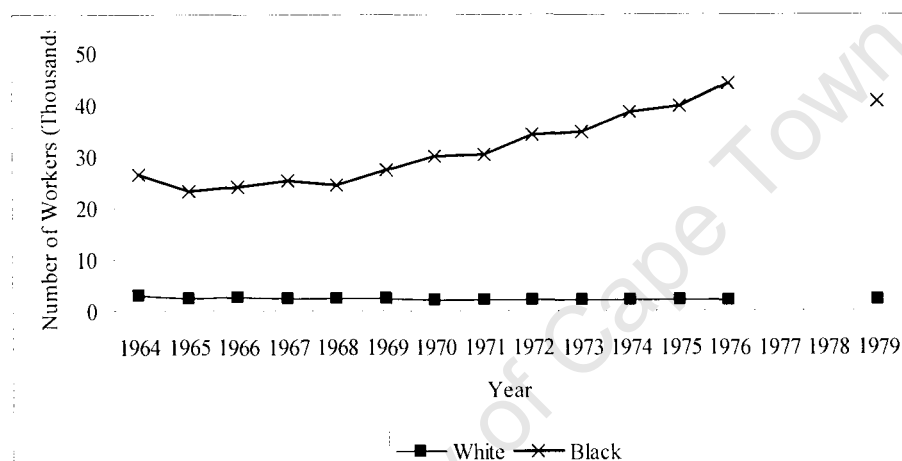
⁶ It should be noted that between 1942 and 1962 employment data for the clothing industry included others like footwear and made-up textile goods.

⁷ Board of Trade and Industry. The development and structural adjustment programme of the apparel textile and clothing industries, Report No. 2646, Government Printers, 1989, p.39.

After 1990 the total number of employees dwindled as job losses became common and by 1994 the grand total stood at 124 538. After 1994, data for the clothing industry is not disaggregated according to race, making employment shifts difficult to track other than in gross numbers. The clothing industry employment data is also combined with the textile industry.

At provincial level, the Western Cape also showed a significant increase in the number of people employed within the clothing industry as reflected on Figure 2 below.

Figure 2: Western Cape employment in the clothing industry 1964-1979.⁸



Note: The data for 1977-1978 was not available.

A steady increase particularly occurred in the Black workers who constituted the bulk of the country's semi-skilled and unskilled labour. The increasing numbers of employees were absorbed by a growing number of firms. The number of clothing factories that were established in the province rose from 604 in 1979 to 678 by 1982, and 684 in 1985.⁹

⁸Van der Westhuizen, W.A. Southern Africa Labour & Development Research Unit: Employment Data for the manufacturing, Electricity, Water and Gas Sectors of the Western Province: 1964-1979. Cape Town, September 1988.

⁹ WESGRO. Growing the Cape: Manufacturing Statistics (Working Papers on the Economy of the Western Cape). Cape Town: Palmer Development Group, March 1992.

The protection given to the clothing industry by the government increased particularly after the Second World War. This was because South Africa had developed its own industrial capacity as a result of the isolation caused by the war, and guarding such achievements in all sectors of the economy became imperative for the South African government.¹⁰ The government was from then on committed to aiding any sector that warranted protection. Although the clothing industry enjoyed a 15 to 25 percent duty as a result of protection, the National Co-ordinating Council for the clothing industry (the predecessor of the present National Clothing Federation of South Africa) was established in 1945 with the primary aim of lobbying for still greater tariff protection. The reasons advanced by the Council as justification for the application included labour cost and raw material prices that had a negative impact on the overall input costs of the clothing industry.¹¹ The latter related particularly to wool that was imported to supplement local supply. Considering the fact that the industry had an important role to play in expanding employment, the Board of Trade and Industry (BTI) recommended enhanced protection, although this was only introduced in 1955.¹²

Duties were further increased in 1948. During November 1948, the government instituted a system of permits and quotas for imports as a result of declining foreign reserves. Permits to import during this period were determined by the position of foreign reserves, with raw materials and capital goods given preference over consumer goods. The prohibited list was expanded with the notable inclusion of several clothing items such as; suits, workwear, dresses, shirts, pyjamas, ties and shawls,¹³ most of which were, or could be produced locally. It should be noted that the import control measures instituted by the government included all countries with the exception of Southern Rhodesia. This, however, resulted in the influx of cheap ready made utility garments into the Union. The consequence was a decrease of about 85% in the Unions favourable trade balance with Southern Rhodesia in fibres, yarns, textiles and apparel from 1949 to 1950.¹⁴ The protection policies instituted by the

¹⁰ COSATU. *Political Economy: South Africa in Crisis*, p.28.

¹¹ The Policy of Protection in regard to Textiles and Clothing, p.62.

¹² The Policy of Protection in regard to textile and Clothing, p.6.

¹³ Meyer, L., *An analysis of the current controversy over protection of the South African Clothing and Textile industries*, p.27.

¹⁴ Meyer, L., *An analysis of the current controversy over protection of the South African Clothing and Textile industries*, p.27.

government were instrumental in boosting the country's industrial base up to the 1970s when the need arose for changes in the policy in response to a changing economic environment.

Economic policy after 1970

The policy of import substitution is presumed to have played an important role in South Africa's economic development. Although researchers like Du Plessis (1973) and Bell (1975) thought further growth could have been achieved in South Africa through the institutionalisation of import substitution,¹⁵ doubts as to the sustainability of this policy with regards to employment creation and growth surfaced in the early 1970s. The domestic market was deemed too limited to adequately sustain the growing local industries in some sectors of the economy. Holden (1990) also identifies the country's inability to develop a sufficiently broad base of managerial and technical skills to maintain high levels of productivity. This was worsened by fluctuations in the gold price that caused further instability in export earnings. Restrictions on the domestic market through customs and tariffs increased the operating costs of the local industries because of their inability to enjoy the advantages of economies of scale.¹⁶ Such doubts necessitated the institutionalization of an economic policy with a philosophy that favoured the stimulation of growth through the acceleration of exports.¹⁷

The policy shift to export promotion led the Board of Trade and Industries (BTI) to call on local firms to look to export. This effort, which intensified in the early 1980s, especially at a time when sanctions restricted the entry of South African goods to certain parts of the world, was supported by the National Clothing Federation (NCF) that had by then formed an Exporters' Council.¹⁸ It was meant to orientate producers toward the need to export and the advantages derived from such measures. According to Holden's analysis, this measure can be safely classified as a wake up call for South African industries, because, by 1985, for example, the clothing and footwear

¹⁵ Holden, M. 'The choice of trade strategy: past reflections and future prospects', In Natrass, N. & Ardington, E. *The political Economy of South Africa*, p.265.

¹⁶ Ibid.

¹⁷ Muller, M. *Some observations on South Africa's economic diplomacy and the role of the: Department of Foreign Affairs*, p.6.

¹⁸ *The Buyer: The Magazine for the Fashion industry*, Vol. 54, 1-12, February 1987, p.3.

industries, like most others, were almost completely dependent on the domestic market exporting a mere 4, 3 per cent of their output.¹⁹ Hence, the need to encourage an outward-looking economic policy.

Exports meant an increase in the consumer base of the industries concerned. The increasing cost of operation in some cases were derived from the fact that some industries, including the clothing industry did not rely solely on domestic supply for its raw materials as mentioned earlier. Tariffs therefore increased the cost of strategic raw materials including wool needed by the South African clothing industry. It should also be noted that the cost of South African labour was also identified years later as one of the causes of the poor export performance of the South African clothing industry. It was alleged in 1994 that in South Africa the average rate per unit of labour was R10 an hour compared to between 54c-R1.80c an hour in South East Asia.²⁰ Comparatively, such high labour cost played a negative role in the overall running cost of the clothing industry, though the amount in South Africa was far below the living wage of the average worker. This explains why since the 1980s strikes for higher wages have been a prominent feature of the industry.

Although the import substitution policy encouraged most clothing manufacturers to neglect exporting, Rex Trueform was a notable exception. Its export capabilities that began in earnest in 1959 (as discussed in chapter 2) were only temporarily curtailed by the institution of sanctions against South Africa in the mid-1980s. Despite the temporary difficulties, Rex Trueform continued to flourish in the export market as a result of the strong market base it had created for itself abroad. This in itself suggests that the import substitution policy adopted by the South African government was not a constraint on their involvement in the export market.

The export policy adopted by the South African government in the late 1970s did not give South African industries an opportunity to interact with the export market as intended by the government due to anti-apartheid sanctions. The sanctions restricted the entry of South African made goods to certain parts of Europe and America. The boycott of South African made products impacted negatively on the economy

¹⁹ Holden, M. *'The choice of trade strategy: past reflections and future prospects'*, p.267.

²⁰ *Cape Times, Business Report*, Thursday, November 3, 1994, p.11.

including the clothing sector. This partly explains why after 1994 when the country was readmitted into the international market, many South African industries, particularly in the clothing sector embarked either on restructuring or closures. This was necessary, they claimed, because of their inability to compete in the global market. Many of the companies had for many decades thrived solely on the local market as a result of tariffs and incentives. To many of these companies such policies were a deterrent to export. However, it is logical to ask what went wrong with companies like Rex Trueform that were involved in the international market for three decades prior to 1994. Was globalization in the 1990s different from the international market conditions that the company successfully traded in for over three decades? It is, however, important to analyse each individual case to adequately deduce the specificities that contributed to measures such as restructuring and closures after 1990. A common determinant was the economic policies instituted by the post-Apartheid government.

Economic policy after 1994

Based on assumptions that the Apartheid government had not done enough to adequately develop the South African economy, the African National Congress (ANC) released a working document after the 1994 election indicating its proposed economic policy. The Reconstruction and Development Programme (RDP) focused among other things on providing jobs, a more equitable distribution of income and wealth, and the provision of basic needs for all South Africans.²¹ Its impracticability as a result of the continuing departure of government's fiscal, monetary and international economic policy from the original thrust of the RDP framework eventually led to the introduction of another document in June 1996, the Growth, Employment and Redistribution, a Macroeconomic Strategy (GEAR).²² According to Adelzadeh (1996), the delivery objectives of GEAR were in sharp contrast to those of the RDP and a replica of the essential tenets and policy recommendations of the neo-liberal framework advocated by the International Monetary Fund (IMF) in its structural adjustment programmes. Such a policy recommendation he emphasised had

²¹ Adelzadeh, A. "From the RDP to GEAR: The Gradual embracing of Neo-Liberalism economic policy", in *Transformation no.31: Critical Perspectives on Southern Africa*, 1996, p.66.

²² Adelzadeh, A. "From the RDP to GEAR: The Gradual embracing of Neo-Liberalism economic policy", in *Transformation no.31: Critical Perspectives on Southern Africa*, 1996, p.67.

conspicuously failed in many southern Africa countries and therefore could not practically be applicable to South Africa.²³

The South African government, in an attempt to distance itself from the economic policies of the Apartheid government, wanted to create a completely new scenario in the South Africa economy by developing new trading partners. It was believed that the new alliances would result in stimulating economic growth through the acquisition of new markets. In so doing it embraced a 'free-trade' ideology with its policy of phasing out tariffs, unfortunately without considering the immediate effects as far as the South African economy was concerned.²⁴ Adelzadeh supports this view by illustrating the importance of protection, following its tremendous contributions to the socio-economic development of the economy during the Apartheid era, which was completely sidelined by the democratic government. The latter's departure from what can be termed "the ills of the Apartheid regime" was without any balanced consideration of the positive effects of the economic policies implemented during that period. Adelzadeh sees protection as an important tool for an underdeveloped economy, because it reduces the propensity to import competitive goods, which he emphasises, does not in any way reduce the actual volume of imports. The success of such a policy, he claims, could potentially lead to a rise in domestic incomes which (following the multiplier effect analysis) will in turn encourage more imports of complementary goods and finally at a later stage competitive goods.²⁵

Following such a policy, in the view of Adelzadeh, would have given South African industries room to mature, before being exposed to the competitive market, void of protection. He was also particularly concerned with the very weak industrial policy that was embodied in the GEAR policy document. It did not create any room for incentives especially with regards to government assistance in the development of the private sector that could in the long run help in the reduction of unemployment and poverty. Such a policy stance by the government, which did not make any provision for direct assistance to the private sector, is believed to have contributed to exposing the South African economy to the global free market without much orientation,

²³ Ibid, p.67.

²⁴ Ibid, p.81.

²⁵ Ibid, p.82.

guidance and protection, a reason or excuse for the inability of most South African industries to adequately compete globally. Considering the fact that protection and government incentives had been a part of these industries for decades, a departure by the government gave these industries a defence mechanism for their actions after 1994, irrespective of their own aims and objectives.

Thus, care should be taken when drawing a general conclusion because the closure and/or restructuring of the various companies in the South African clothing industry cannot be attributed solely to the nature of the policy adopted by the South African government after 1994. Many, it should be noted, have simply used the policy as a smokescreen to pursue their shareholders' best interests to the detriment of thousands of workers. This was done irrespective of the substantial assistance they received from the apartheid government in the form of incentives and/or tax rebates and their promises to assist in curbing post-apartheid unemployment.

This phenomenon was, however, not limited to the South African economy. Palan (1999) acknowledges the fact that it became an excuse used by companies around the world to either down-size or restructure, all of which usually lead to sacking people from their jobs, in the name of a changing global environment, which companies all claimed was unfortunately out of their control.²⁶ The South African government to neutralise some of the social consequences of the closures, embarked on measures intended to give the economy some advantages in the world market. These included its participation in the World Trade Organisation (WTO), and the signing of various agreements and accords with member countries intended to give South African industries preferences in the global market.

South Africa's participation in the Uruguay Round of the WTO is of paramount importance because it is a watershed in the country's endeavour to fully integrate itself into the world market. At Uruguay, South Africa was required to reduce its tariffs on manufactured goods by an average of 33 percent over the period 1995-99, relative to the levels of tariff protection prevailing in the base period applicable to

²⁶ Palan, R. et al. State strategies in the Global Political Economy, p.13.

manufactured goods (1989).²⁷ The South African government, however, negotiated an unprecedented twelve year window period for the textiles and clothing industry, instead of the normal five years, and also a maximum tariff level of 45 percent instead of the normal 30 percent.²⁸ These measures were meant to end complaints by these industries with regard to globalization, although they did not adequately satisfy the demands of the clothing sector. Considering their long history of reliance on government incentives and tax rebates it was difficult to fully adapt to the competitive market within such a 'limited period'.

The South African government also attempted in other domains to give the textile, clothing and footwear sector a competitive advantage in the global market. The government entered into a series of preferential agreements with individual countries and organizations like the United States (US), the European Union (EU) and Sub-Saharan African countries to achieve this goal. Preferential agreements with the US which were signed through the African Growth and Opportunity Act (AGOA) only came into effect in October 2000 for other clothing items and March 2001 for apparel, and both were expected to remain in force until 30 September 2015.²⁹

Agreements were also signed with the European Union under the auspices of the South African Free Trade Agreement, which is a Trade, Development, and Cooperation Agreement containing a Free Trade Agreement. Through this agreement, the EU agreed to commit itself to the full liberalisation of 95% of South African imports over a 10 year transitional period, while in return South Africa was expected to liberalise 86% of EU imports over a 12 year transitional period. The agreement with Sub-Saharan countries was mainly through the Southern African Development Community (SADC).³⁰

These agreements were expected to have a positive impact on the entire South African garment industry. AGOA in particular was regarded as potentially important because it gave Sub-Saharan African countries duty free access of about 1.5 per cent of the

²⁷ Michie, J. & Padayachee, V. The political Economy of South Africa's transition: policy perspectives in the late 1990s, p.74.

²⁸ Ibid, p.74.

²⁹ South African Department of Trade and Industry: textile and Footwear sector

³⁰ South African Department of Trade and Industry: Textile, Clothing and Footwear Sector.

entire US clothing market,³¹ an opportunity deemed advantageous to Rex Trueform. Such policies geared toward the clothing industry were dictated by the fact that the South African economy while lacking skilled labour, possessed a large pool of unskilled and semi-skilled labour that could easily be absorbed by the clothing industry, which was regarded as a large employer with a relatively low cost per job opportunity,³² although comparatively high when compared to other countries, especially Asia. It is estimated that the South African clothing industry, being highly labour intensive, contributed over 50 percent to total employment in the textile and clothing industries as a whole and 8, 66 percent in all the country's manufacturing.³³ Implementing policies that were geared towards the development of the clothing and textile industries was justifiable because it had a significant part to play as far as South Africa's economic growth was concerned.

It should be realised that although these policy decisions were taken at national level, the outcome was felt by all major industries within South Africa, including the clothing industry. Although these commitments were in the interest of all South African industries, the method of conception and implementation, as noted by Adelzadeh, no doubt led to negative reactions from various organisations including those that represented the clothing industry.

Clothing Industry reactions towards South Africa's open market policy

Reactions from this quarter came from the Cape Chamber of Commerce, the National Clothing Federation (NCF), and the Southern African Clothing and Textile Workers' Union (SACTWU). The eventual integration of South Africa into the global market economy, though cautiously praised by the Cape Chamber of Commerce, met with some criticisms as well as infighting within and between the clothing and textile industries.

The comments made by the Cape Chamber of Commerce clearly indicated that it supported South Africa's re-integration into the global market economy, though, at

³¹ Business Day, September 4, 2000, p.13.

³² Mbono, N.R., SADC trade protocols and its potential impact on the south African clothing and textiles industry, pp.30,31.

³³ The Policy of Protection in regard to Textiles and Clothing, p.23.

the same time it expressed doubts as to the actual impact of re-integration of the South African economy as a whole. According to the Cape Chamber of Commerce, what it referred to as the 'big-bang' approach with no phased reduction on tariffs would result in import volumes rising by 2.5 percent, export volumes rising by 0.7 percent, employment rising by 0.8 percent, and Gross Domestic Product (GDP) improving by 0.6 percent. The Cape Chamber of Commerce was, however, cautious in its assumptions; the same report noted that it was difficult to gauge the actual impact on the South African economy as a result of the new policy that was geared toward tariff reform. It did, however, note that the dislocation surrounding the gradual reduction in tariffs meant the South African business community was compelled to adjust to international competition, if it intended to enjoy the benefits that accrued from such integration.³⁴ Such remarks were based on the long history of the import substitution policy characterized by government protection and incentives. An immediate change of policy was greeted with some scepticism. Despite the cautious reaction of the Cape Chamber of Commerce, organizations related to the clothing industry showed a more marked resentment towards the policy of global economic integration.

The Southern African Clothing and Textile Workers' Union (SACTWU) demonstrated its disapproval of economic policies introduced in line with the rules of the global market economy. This was apparent in a march to parliament in February 1996 in which about 5,000 textile, clothing and footwear workers participated. The organizers and participants argued that government trade policies within this sector would result in the loss of thousands of jobs, of which 12,000 had allegedly been lost since September 1995, when the government's tariff phasing policy began. They also indicated that there could be a possible collapse of the entire industry if the situation remained unchanged.³⁵ SACTWU in a petition to government, among other things; demanded the immediate implementation of the customs and excise reforms already agreed on by labour, business and government in 1993, and the appointment of a team of investigators from the Office of Serious Economic Offences, to work alongside the clothing, textile and footwear industries to prosecute importers engaged in fraudulent activities involving customs and excise.³⁶ SACTWU thought that through this

³⁴ The Cape Argus, Monday, July 11, 1994, p.9.

³⁵ The Cape Argus, Thursday, February 15, 1996, p.4.

³⁶ *Ibid*, p.4.

method, the importation of illegal clothing could be controlled and the stability of the industry guaranteed.

Furthermore, SACTWU called for the institutionalisation of a training subsidy for workers covering skills and adult education programmes, the establishment of a wool processing programme to create jobs and address the situation where South African raw wool is exported for processing, for government to assist with technological change geared towards increasing output, and encourage small scale cotton farming as a way of promoting equity for black farmers and creating employment.³⁷ Such demands were in line with what Adelzadeh emphasised could have been done by the government before embarking on policies that were meant to have a long term effect in restructuring the economy.

The National Clothing Federation (NCF) for its part did not support South Africa's re-entry into the global market. It was of the opinion that the re-entry would negatively impact on infant industries, contribute to put clothing out of the reach of many poor South Africans and also destroy still more jobs within the industry.³⁸ According to the NCF, the clothing industry experienced job losses of over 20,000 between 1991 and 1992,³⁹ and South Africa's re-entry into the global market did not signal a promising future for the industry.

Conclusion

It should be realised that the economic policies instituted by the Apartheid government influenced those that were introduced in the post-Apartheid era. As examined above, the institutionalisation of post-Apartheid economic policies was cognisant of the fragility of the industrial base that was inherited from the previous regime. The Apartheid economic policy of import substitution that was similar to that in many developing economies at the time⁴⁰ contributed positively to the economic growth of South Africa. Its non-sustainability after 1970, as a result of a changing

³⁷ Ibid. p.4.

³⁸ Cape Times Business Report, Thursday, November 3, 1994, p.11.

³⁹ Pursuit: The Fashion Index 1994, p.36.

⁴⁰ Holden, M. "Choice of trade strategy", p.260.

economic environment necessitated a change in policy, thus the export oriented policy that was instituted in the late 1970s.

The successes and sustainability of the import substitution policy became questionable following the expanding nature of the economy. The export oriented policy was, however, interrupted by sanctions against the apartheid government. The institutionalisation of new economic policies at the dawn of the new democratic era raised further questions with regard to the survival of the hitherto protected industries in an export oriented economic environment. The implementation of new economic policies was often considered poorly conceived and implemented. Such an environment, though gave some companies the opportunity to carry out restructuring and closures for their own reasons citing globalization as the cause of their actions. What follows investigates this contention in the case of Rex Trueform. An examination of this claim in the case of Rex Trueform is the main focus of this thesis. This thesis will seek to determine why Rex Trueform, in spite its good performance in the export market during the apartheid era, found it difficult to adapt to the global market after 1990 culminating in the leasing out of its Salt River manufacturing plant in 2005. The irony is that the same factory that was regarded by its owners as unprofitable attracted a number of interested bidders when the news of its closure was made public in March 2005. It was finally leased to neighbouring House of Monatic for five years, beginning in February 2006.

CHAPTER TWO

REX TRUEFORM AND ITS INTERNATIONAL AFFILIATIONS BEFORE 1994

Introduction

This chapter focuses on the origins of Rex Trueform. It looks at the experiences of Bernard Shub and Philip Dibowitz and how their partnership contributed to the establishment of Rex Trueform. It also looks at the company's international affiliations through the purchase of raw materials, franchising and branding. Owing to the fact that advertisements play an important role in the clothing business, the chapter attempts to show how advertisements contributed to marketing the company both locally and internationally. Rex Trueform's export trade, which constituted an important part of its international exposure, is also examined in this chapter.

Origins of Rex Trueform.

The Rex Trueform Company came into existence in the early 1930s due to the entrepreneurship of Bernard Shub and Philip Dibowitz. Shub, who was a Jew from the Baltic Provinces of the Old Russian Empire,⁴¹ began his career in the clothing industry as a sales agent for African Clothing Manufactures (ACM), in Germiston, Johannesburg after the First World War. ACM was one of the first 'true' garment factories in South Africa at the time. Recruited to the sales department of ACM, he was soon promoted to the position of travelling sales representative, and later as a Sales Manager specialising in suits and jackets. Due to his performance, ACM decided to put him in charge of its new depot at Port Elizabeth. It was a result of further recommendations that he was posted as sales manager for the Western Province, with headquarters in Cape Town, in 1929.⁴² In 1933, Shub resigned from ACM but continued to handle its products under his own company, B.J. Shub and Co. (Judge Clothing), which he established in Woodlands Road, Woodstock.⁴³ As Shub later wrote, he was encouraged to establish a clothing factory to meet the variety and

⁴¹ Rosenthal, E. The Rex Trueform Story, in *The South African Jewry*, p.387.

⁴² Ibid p.387.

⁴³ Ibid, p. 387.

quality that was needed by the South African market. In Shub's view the local market was flooded with imported garments because, ACM along with other manufacturers were limited in both quality and variety.⁴⁴

Shub's intention to establish a clothing factory was realised due to his partnership with Philip Dibowitz, a tailor by profession. Dibowitz from Birz, Lithuania arrived in Cape Town in 1927. Dibowitz studied tailoring at an academy in Riga, called the Cours de Coupe et Couture System Levitanus, which also had an establishment in Lodz, centre of the textile industry in Poland, and in Paris.⁴⁵ He later obtained a tailoring diploma at the Paris branch.⁴⁶ Dibowitz eventually opened a factory in Plein Street Cape Town in 1932, after a failed attempt in Parow.⁴⁷ The factory known as "West End Clothing" (WEC) operated on a cut, make and trim basis (CMT). In this operation, the material is brought by the person placing the orders.⁴⁸ The WEC was run by Philip Dibowitz and his brother who made garments for Bernard Shub on a partnership basis.

The need to expand the business motivated the Dibowitz brothers to move to new premises in Woodstock under the name Woodlands Clothing Manufacturers (WCM) (Pty) Ltd.⁴⁹ Shub held an interest in the new company because he remained in partnership with the Dibowitz brothers. New premises were later obtained at Woodlands Road, Woodstock to accommodate the manufacturing and merchandising arm of the business. The new premises were part of the merchandising division of Bernard Shub. The WCM operated for only a few years. It is alleged that the two brothers experienced financial difficulties and could not manage the manufacturing arm of the business which had expanded and needed more capital and manpower. Their struggling business was eventually absorbed by Bernard Shub's merchandising division. The brothers were then employed by Bernard Shub on a salary basis.⁵⁰ However, as a result of the educational qualifications and professional experience of Philip Dibowitz, he was appointed chief designer, and later made a director in June

⁴⁴ Kaplan, M. Jewish Roots in the South African Economy, pp. 242-243.

⁴⁵ Rosenthal, E. "The Rex Trueform Story", in The South African Jewry, p.338.

⁴⁶ Kaplan, M. Jewish Roots in the South African Economy, p.244.

⁴⁷ Ibid, pp.243-245.

⁴⁸ Ibid, p.228.

⁴⁹ Rosenthal, E. "The Rex Trueform Story", in The South African Jewry, p.338.

⁵⁰ Kaplan, M. Jewish Roots in the South African Economy, p.245.

1946. As a result of his performance, he was appointed joint managing director with Bernard Shub in September 1956.⁵¹ The partnership of a seasoned sales man and a professional tailor grew to prominence not only in South Africa but overseas as well.

The company later moved to new premises in Victoria Road, Salt River, because the Woodlands premises became inadequate. The need to meet increasing demand motivated the building of a bigger factory in 1936 with a manufacturing capacity of about 113,000 square feet.⁵² It was at this juncture that the company's name was changed from Judge Clothing (B.J. Shub and Co.) to Rex Trueform. Although Rex Trueform was initially a trade mark, it became so well known throughout the country that, when the company converted from private to public status, it changed its name to "Rex Trueform Clothing Company Limited in 1945."⁵³ The certificate of change of name was issued by the Registrar of Companies Pretoria. The transfer of ownership was formerly signed at Wynberg, Cape Town on September 14, 1945.⁵⁴ It is worth noting that between 1936 and 1945 the name Judge Clothing Manufacturers Limited and Rex Trueform Company Limited were used concurrently. When it became a public company in 1945 it was then known as Rex Trueform Clothing Company Limited incorporating Judge Clothing Manufacturers Limited.⁵⁵

The partnership that was later described as cordial by Philip Dibowitz lasted until 1974 when Bernard Shub died and Philip Dibowitz retired a few years later.⁵⁶ It is, however, worth noting here that the need to maintain the family legacy of the two families in Rex Trueform did not work in favour of the Dibowitz family. Unlike the Shub family who maintained a high profile in the industry up to 2005, Philip Dibowitz's only son Selwyn Dibowitz resigned from the company to the disappointment of his father. Though trained as a tailor and designer at Rex Trueform, Sweden and the United States, and later made director at Rex Trueform, Selwyn returned to work in America.⁵⁷ The retirement of Philip Dibowitz meant the end of the

⁵¹ Kaplan, M. Jewish Roots in the South African Economy, p.246.

⁵² A Record of Achievement: The Story of the House of Rex Trueform, p.25.

⁵³ Rosenthal, E. "The Rex Trueform Story", in The South African Jewry, p.387.

⁵⁴ State Archives, Cape Town-Source LC: Volume no.1123: Ref. UC 9839-Company Registration Office.

⁵⁵ The Buyer: The Magazine for the Fashion Trade, September 1945, 61.

⁵⁶ Kaplan, M. Jewish Roots in the South African Economy, p.250.

⁵⁷ Kaplan, M. Jewish Roots in the South African Economy, p.250.

Dibowitz family presence in Rex Trueform. Due to the joint effort of Bernard Shub and Philip Dibowitz Rex Trueform became an internationally acclaimed company.

Rex Trueform as a global player before 1994

“The Rex Trueform factory throbs with industry. From the West Country of England, the Yorkshire moors and the lonely Isles of Harris come[s] the famous clothes to be made into the garments that South Africa knows so well. Here is the story...of how it is done-how each worker plays his part and how each machine fits into production, from the arrival of the material to the packing of the suits, coats and trousers that are sent out to the four corners of Southern Africa.”⁵⁸

“We are indeed proud to have played our part in establishing the Cape as the premier centre of the Clothing Industry of South Africa. We are proud, too, that the experience and skills of our workpeople-allied with the world’s finest clothes and the most up-to-date conceptions of styling and design-have so firmly fixed our brand names in the esteem of the general public. And we are proud that we are today exporting a greater volume of our goods than ever before-truly an international tribute to the Craftsmanship of the Cape.”⁵⁹

A few years after its establishment, Rex Trueform acquired an international status through the purchase of its raw materials, franchising, branding and later its export activities. This was complemented by the introduction of new concepts in its production line, especially balance-line tailoring, a concept that proved to be a major breakthrough in the world garment industry. The concept also helped establish Rex Trueform internationally, as did the effort made by the company to promote its major brands in South and southern Africa through advertising.

The first major breakthrough into the international arena by Rex Trueform was in the early fifties in what was described as a first in the South African garment industry. Shub entered into an agreement with Hoechst, a German firm famous internationally for the manufacture of good quality fibres. Following this agreement, Hoechst manufactured a special fibre for Rex Trueform known as Trevira that became a well guarded asset of the company.⁶⁰ Trevira became a brand of international standing. Trevira fibres were used in the manufacture of balance-line suits and Ika Trevira suits, sports jacket and trouser ranges that were in high demand within southern Africa, the

⁵⁸ A record of achievement: The story of the House of Rex Trueform, p.14.

⁵⁹ The Craftsmanship of the Cape: A Tribute to ‘The House of the South African clothing industry,’ p.18.

⁶⁰ Kaplan, M. *Jewish Roots in the South African Economy*, pp.247-148.

United States and Europe. Indeed demand reportedly often exceeded supply in these ranges of clothes.

Franchising and Branding

The first major franchise was acquired as early as 1941 when Rex Trueform reached an agreement with the makers of Kerry Keith worsteds and tweeds. The agreement enabled Rex Trueform to produce and distribute for the brand in South Africa, Zimbabwe, Namibia, Mozambique, the Democratic Republic of Congo, Kenya and Uganda.⁶¹ In 1950 Rex Trueform acquired another franchise for Brenner Sports from England. The franchise, which was initially exclusively for the production of lady's outfits, was later extended to menswear. It is important to note here that Rex Trueform from inception specialised in the manufacture of menswear. It was only in 1950 that the company ventured into the manufacture of women's tailored garments. The first such garments were produced under the Lady Jeff label.⁶² The Brenner Sports brand ceased to exist in 1956, however, after creating a huge impact as far as Rex Trueform was concerned. Rex Trueform was also enfranchised by Goodall Fabrics of America in 1950, to manufacture men's summer clothing using its Palm Beach brand. Rex Trueform was given the exclusive manufacturing rights in South Africa, Zimbabwe and Namibia. Bernard Shub claimed that the franchise was acquired because of the international recognition of Rex Trueform's manufacturing techniques.⁶³ In accordance with the terms of the franchise, Palm Beach America was not allowed to export its products to any of the territories where Rex Trueform had exclusive rights.⁶⁴

Determined to ensure progress, the company acquired another franchise to manufacture Hector Powe suits in South Africa in 1952.⁶⁵ This was followed by an arrangement in January 1959 between Rex Trueform and D. Ballantyne Brothers and Co. Ltd of Peebles, Scotland to produce certain ranges of clothes using their brand name in South Africa.⁶⁶ The company's determination to introduce a variety of garments into the South African market came to fruition with the acquisition of a

⁶¹ *The Buyer: The Magazine for the Fashion Trade*, August 1941, p.29.

⁶² Kaplan, M. *Jewish Roots in the South African Economy*, p.247.

⁶³ *The Buyer: The Magazine for the Fashion Trade*, February 1950, p.65.

⁶⁴ *Ibid*, p.66.

⁶⁵ Kaplan, M. *Jewish Roots in the South African Economy*, p. 250.

⁶⁶ *The Buyer: The Magazine for the Fashion Industry*, Vol.27, January 1959, p.37.

controlling interest in Nicholson & Co. of England (South Africa), an investment that paved the way for subsequent investments in the United Kingdom.⁶⁷ Having permanent representatives in England made it easy for the promotion of the company's brands, an advantage that created more opportunities for the company abroad. Toward the end of 1959 Rex Trueform found it possible to embark on a steady expansion of its export trade due to the close relationship that was maintained between the company's design department and the United Kingdom and America.⁶⁸ In 1960 Rex Trueform introduced a new range of clothing that had been successfully tested and accepted in America. These included slacks for men, youths and boys made from a fabric that contained remarkable "wash, and wear" qualities. This quality which allowed for easy home washing was expected to attract a large consumer base similar to that in America.⁶⁹ Shub also successfully negotiated another important franchise in 1964 with John Stephen suits, a British make aimed at a young man's market.⁷⁰ The John Stephen suit later became another asset to Rex Trueform following an upsurge in demand.

The internationalisation of Rex Trueform culminated in the signing of another agreement this time with Angelo Litrico of Rome in 1964.⁷¹ This agreement was of strategic importance to Rex Trueform, because Angelo Litrico of Rome was one of the greatest living designers of men's wear. He was regarded as an original thinker and a master craftsman in tailoring techniques with an international reputation. The international ramifications of this partnership were summarised by Bernard Shub in the following words;

"The arrangement between Angelo Litrico and the Rex Trueform organization provides for his giving us an exclusive service and this will enormously strengthen our research division in regard to styling, fabric and colour trends, and design. We shall maintain the closest possible touch and in addition to frequent consultations which will take place between Litrico and our directors and senior executives in Rome, he will himself make periodic visits to South Africa. Information or advice which we require urgently will, of course, be obtained by airmail or cable. The importance of truly international styling in men's wear was never greater than it is today. In the present jet age a man can easily find himself

⁶⁷ *The Buyer: The magazine for the Fashion Industry*, Vol.27, February 1959, p.26a.

⁶⁸ *The Buyer: The Magazine for the Fashion Industry*, Vol. 27, p.iii.

⁶⁹ *The Buyer: The Magazine for the Fashion Industry*, Vol.28, January 1960, p.21.

⁷⁰ Kaplan, M. *Jewish Roots in the South African Economy*, p.250.

⁷¹ *The Buyer: The Magazine for the Fashion Trade*, Vol.32, January 1964, p.13.

in three different continents within a week. Gone are the days when a man might be correctly dressed in Paris but-wearing the same suit-be immediately spotted as a 'foreigner' in, say, New York."⁷²

Litrico designed a range of garments exclusively for Rex Trueform in 1965. This included styling for the new brand name Saint Germain, whose ranges included waistcoats, cardigans and pullovers.⁷³ The determination of Rex Trueform to maintain the quality of brands franchised to it by foreign companies contributed to further agencies abroad. The numerous brands placed at the disposal of Rex Trueform contributed to expanding its consumer base both locally and internationally, thus the need to establish a subsidiary factory to cater for increasing international demand.

The need to meet the rapid change in taste and fashion within the British market,⁷⁴ the upsurge in the demand for Rex Trueform products within the United Kingdom and other countries in Europe and America necessitated the establishment of a subsidiary factory at Coatbridge, near Glasgow.⁷⁵ The idea was initiated by Rex Trueform's shippers in Britain who later acted as intermediary between Shub and the British Board of Trade in negotiating the terms and conditions of the factory.⁷⁶ The subsidiary was meant to increase Rex Trueform sales in Europe. It was, however, supplemented by exports from the Cape Town factory. The factory was initially planned to employ between 900 and 1,000 workers, with the main labour force to be recruited locally.⁷⁷ An undertaking by Rex Trueform to employ its labour force locally presumably contributed to the generous financial facilities and assistance that was placed at its disposal by the British Board of Trade.⁷⁸ The incentives provided by the British Board of Trade were motivated by the fact that Coatbridge was characterised by high unemployment.⁷⁹ The factory became fully operational in early 1962.

Within a few years, Seymour Hoppen, the director of the British factory described it as a success. He said, "Our goods have gained wide acceptance and have been able to

⁷² *The Buyer: The Magazine for the Fashion Trade*, Vol.32, January 1964, p.13.

⁷³ *The Buyer: The Magazine for the Fashion Trade*, Vol.33, July 1965, p.24.

⁷⁴ *The Buyer: The Magazine for the Fashion Trade*, September 1951, p.97.

⁷⁵ *The Buyer: The Magazine for the Fashion Trade*, July 1961, p.25.

⁷⁶ Kaplan M. *Jewish Roots in the South African Economy*, p.249.

⁷⁷ *The Buyer: The Magazine for the Fashion Trade*, July 1961, p.25.

⁷⁸ *The Buyer: The Magazine for the Fashion Trade*, July 1961, p.25.

⁷⁹ Kaplan, M. *Jewish Roots in the South African Economy*, p.249.

compete in every way; quality, service and style.”⁸⁰ The factory’s success was derived from a close relationship between the British representatives and the head office in Cape Town. The British company made it easy to keep pace with technological developments and changes in taste and fashion within the British market. Relating the needs and demands of the British population to the head office in Cape Town made it easier to produce and export what was particularly needed at the time by Rex Trueform enthusiasts in Britain, which was not produced within the subsidiary factory or was in short supply.⁸¹ However, the praises accorded the Glasgow factory lasted for only five years followed by its closure in 1967. According to Rex Trueform, the closure of the Glasgow factory stemmed from the under performance of the workers.⁸² The poor performance of the workers made it difficult to attain the required level of production. When the factory became a burden the decision was taken to terminate production in 1967.

It should be noted that the acquisitions of more franchises abroad and the popularity achieved by the company both at home and abroad were thanks to the advertising tactics employed by Rex Trueform. Advertising became an important tool in the marketing strategy of Rex Trueform. This was encapsulated in the company’s motto of “name goodwill”. It believed that once a customer had learned to have confidence in the company’s products, they would continue to buy it by virtue of its name alone.⁸³ Rex Trueform popularised its brands throughout South Africa, southern Africa, and the rest of the world as a result of the loyalty it created towards its products through advertisements.

The advertisements were made available in all daily newspapers of the Union, in English and Afrikaans, and full colour plates were at certain times reproduced in the national magazines. Such advertisements contributed remarkably in increasing the company’s market share within South Africa, and beyond, enabling it to become one of the most popular clothing houses in South Africa and a favourite of many in Europe and America. It was through such advertisements that Rex Trueform brought to the attention of the public in South Africa the availability of top brands that were

⁸⁰ *The Buyer: The Magazine for the Fashion Trade*, Vol.33, January 1965, p.23.

⁸¹ *Ibid.*

⁸² Kaplan M. *Jewish Roots in the South African Economy*, p.249.

⁸³ *A Record of Achievement: the Story of the House of Rex Trueform*, p.59.

hitherto only available in America and Europe. The introduction of new brands into the southern African market and popularising them through advertising increased the market share of the company.

A major step was also taken in international advertising by Rex Trueform through its participation at the 100th Convention of the International Association of Clothing Designers held in Rome in July 1960. The convention was of great importance to Rex Trueform because the company was well represented through the participation of four of its models, and the showcasing of its top garments. By 1962 the Rex Trueform clothing company, cognisant of the influence of variety in the garment industry (its creed from inception) introduced various titles to blend its promotion of the Superknit ranges. Promotional titles such as African bronze, Burgundy, olive black and Elephant were introduced to spice-up the Rex Trueform Superknit ranges in the market, as a means of attracting more customers.⁸⁴

Furthermore, a major campaign was launched in 1963 covering the entire southern Africa for Balance-Line International suit ranges, Rex Royals, Super Rex Royals; Superknit sports jackets and blazers, and the Ika Trevira suit ranges. This campaign according the company was meant to exploit the potential of the southern African market which was deemed to be under exploited at that time. To raise its international profile, the campaigns were extended to its associated companies in England including, Nicholson & Co. of England (South Africa) Ltd. and Hector Powe of London (South Africa) Ltd.⁸⁵ These advertisements no doubt increased the international market share of Rex Trueform's garments.

In 1965 following the introduction of new brands under the Litrico ranges, intensive advertising campaigns were launched all over southern Africa, to showcase the elegance that was associated with these ranges. Also, between September and November of 1967, a major press promotion was launched to increase the market circulation of John Stephen suits that made their first appearance in the South African market twelve months earlier. Rex Trueform later acknowledged that, "a tremendous amount of public interest has been generated by the virtually non-stop flow of news

⁸⁴ The Buyer: The Magazine for the Fashion Industry, Vol.30, August 1962, p.20.

⁸⁵ The Buyer: The Magazine for the Fashion Industry, Vol.31, January 1963, p.iv

features about the ‘Carnaby Street influence’ (John Stephen suits) in newspapers and magazines.”⁸⁶ Rex Trueform advertising campaigns created an impact within southern Africa and beyond. This explains why by 1973 the company boasted about its international standing remarking that, “Rex Trueform is the largest tailoring organisation in Southern Africa. There must be a reason we’re that big and successful. There is. We make superbly elegant clothes-Rex Trueform International.”⁸⁷ In addition to using raw materials, franchising, branding and advertisements as a means of enhancing Rex Trueform’s international standing, its export transactions also created a significant impact.

Rex Trueform’s Export Market before 1994.

The 1958 Balance-Line concept introduced by Philip Dibowitz can be described as a catalyst for Rex Trueform’s export market. The concept that was new to the global garment industry held that the key to suit production lay in formulating a pattern to fit all shoulder figures. Or in essence ‘the secret is in the vital ten inches’.⁸⁸ Dibowitz’s innovation created a sensation when it was demonstrated at the International Association of Clothing Designers at Philadelphia, U.S.A. on January 9, 1958 prompting the one time President of the Association to declare that, “Never in my 48 years as a member of this Association have I heard or seen a more important and instructive demonstration at any convention”.⁸⁹ It led to the placing in 1959 of what was later described as the first huge export order ever secured by a South African clothing factory from one of the largest clothing organizations in the United States of America. The export order comprised 400,000 garments and was worth about US\$2million (then worth £700,000 in South African currency).⁹⁰ According to Bernard Shub “There is no single achievement that exceeds Balance-Line in importance. It was this design that put Rex Trueform on the map”.⁹¹ The achievement was even more remarkable because this was the period when the South African economy was geared towards import substitution not export promotion.

⁸⁶ The Buyer: The Magazine for the Fashion Trade, Vol. 35, July 1967, pp.9&13.

⁸⁷ The Buyer: the Magazine for The Fashion Trade, February 1973, p.18

⁸⁸ Mellon, G. What was the impact of apartheid on Rex Trueform between 1973 and 1984, p.2.

⁸⁹ The Buyer: The Magazine for the Fashion Trade, February 1958, pp. 42-43.

⁹⁰ Kaplan, M. Jewish Roots in the South African economy, p.248.

⁹¹ *Ibid*, p.248.

The various reactions from the company after the introduction of the Balance-Line concept were indicative of the fact that although they were confident of its success the magnitude of its impact, including the first export order, was unexpected.⁹² The Rex Trueform organisation also won converts in Britain exemplified by a special arrangement with G. Garnett and Sons Ltd., of Bradford in 1959. The latter authorised Rex Trueform to exclusively market throughout Southern Africa its brands of Garnett clothes. The agreement was an acknowledgement of the Bradford Company's confidence in the technological capability and international recognition achieved by Rex Trueform.

The immediate response to the American order and the world-wide recognition was tremendous. The information was brought to the attention of the clothing industry in various parts of the world, including Canada, England, France and the then West Germany. Some of them in response made requests to obtain details of prices and sample ranges. In this regard, Robinson & Co. Ltd, one of the largest retail stores in Singapore placed an initial order for 100 Balance-Line suits.⁹³ Despite the publicity and huge income that accompanied the export orders, Rex Trueform only accepted export orders on condition that they did not jeopardise their supply of the local market, which they considered their first priority.

The Rex Trueform Company as a result of extensive publicity enjoyed a high turnover and continued high acceptability on the export market. This was reflected by a nearly 70 per cent profit margin in 1963,⁹⁴ and a remarkable increase of export sales by approximately 25 per cent by the end of 1969.⁹⁵ It is worth noting here that due to the importance attached to the Balance-Line concept, a special grade known as the "Export Grade" was developed for export abroad. It was only from February 1959 that stock of this grade was made available for purchase in South Africa. Though for local consumption it was specified to carry the symbol "Rex Trueform Balance-Line Export Grade".⁹⁶

⁹² The Buyer: the Magazine for the Fashion Trade, Vol.27, August 1959, p.iii.

⁹³ The Buyer: The Magazine for the Fashion Trade, Vol.27, March 1959, p.i.

⁹⁴ The Buyer: The Magazine for the Fashion Trade, Vol.31, March 1963, p.23.

⁹⁵ The Buyer: The Magazine for the Fashion Trade, Vol.37, September 1969, p.16.

⁹⁶ The Buyer: The Magazine for the Fashion Trade, Vol. 27, January 1959, p.35.

The good publicity of Rex Trueform abroad led to an increase in export demand that at one point was beyond the capacity of its factory to supply. The lack of manufacturing capacity was especially severe following the closure of the UK factory in 1967, contributing to the cancellation of some export orders. This was seen as disappointing owing to the fact that Rex Trueform was by then the only bulk exporter of men's clothing from South Africa. This lack of capacity, however, necessitated the erection of an additional production plant in Parow Industrial.⁹⁷ The Parow plant was meant to meet the backlog in customer demand, especially from abroad. Due to a further need to meet increasing demand both nationally and internationally the company purchased another five-storey factory complex in Wynberg, Cape Town, with an area of about 800 square meters, and an estimated staff of 500. The machinery for this major expansion project was sourced from Europe and the United States of America. The Wynberg factory was meant to boost the company's production of both trousers and Rex International suits.⁹⁸

The drive to expand Rex Trueform locally and internationally led to a partnership with the original owners of L'Uomo (Pty) Limited in 1975, a company involved solely in the production of shirts. Rex Trueform acquired a 50 per cent share in the company that was established at Lansdowne, Cape Town.⁹⁹ It was specified that the company would run independently because it was not an integral part of Rex Trueform. It was, however, acknowledged that Rex Trueform's resources and expertise were available to L'Uomo management.

The Rex Trueform Company after dealing with its capacity problem enjoyed a good run on the export market, with a continuous increase in the number of orders from abroad. In 1972, the company's export market was graded as satisfactory, recording an increase of 12 per cent over that of 1971, and an increase of not less than 39 per cent over 1970.¹⁰⁰ The company's ability to carefully manage its expansion and diversification processes, unlike many other firms during this period, also contributed to its successes.

⁹⁷ *The Buyer: The Magazine for the Fashion Trade*, Vol.38, September 1970, p.16c.

⁹⁸ *The Buyer: The Magazine for the Fashion Trade*, January 1974, p.9.

⁹⁹ *The Buyer: The Magazine for the Fashion Trade*, January 1975, p.5.

¹⁰⁰ *The Buyer: The Magazine for the Fashion Trade*, August 1972, p.8a.

By 1977 Rex Trueform's export market was described as excellent with major expansion into Canada and the United States. Significant orders were also achieved from the German, Swiss, Danish, and Dutch markets.¹⁰¹ Although figures were not disclosed it is believed that large consignments departed weekly for Europe and America. In April 1977 for example, Rex Trueform won a huge export order of about US\$500,000 from a New York retailer to supply suits and jackets.¹⁰² As a result of the huge export orders handled by Rex Trueform during this period, a single shipment in August 1977 was estimated to contain between 45,000 and 50,000 units.¹⁰³

For this reason, Rex Trueform's export market continued a steady expansion and by 1978 the chairman announced the possibility of an additional plant to meet the upsurge in export demand. Such an expansion he emphasised would be implemented only if it did not prove detrimental to the domestic market. The significant turnovers acquired by Rex Trueform in the export market represented a major percentage of the total clothing exports from South Africa,¹⁰⁴ and earned tens of millions of Rand in foreign exchange for the country.¹⁰⁵

The progress made by Rex Trueform in the 1970s took place amidst a volatile political situation that disrupted the consumer base of the country, leading to cautious retailing. It was only by the end of 1979 that there was a steady increase in business activity as well as a small increase in consumer demand.¹⁰⁶ As a result of the steady recovery, Rex Trueform expressed confidence regarding its business forecast for the 1980s. However, the recovery was disrupted by the imposition of international sanctions against the apartheid government. The disruption affected all sectors of the South African economy between 1981 and 1987, including Rex Trueform.¹⁰⁷

Following the imposition of sanctions, many foreign companies, as a show of solidarity with the anti-Apartheid struggle decided to stop economic transactions with

¹⁰¹ The Buyer: The Magazine for the Fashion Trade, August 1977, p.11.

¹⁰² The buyer: The Magazine for the Fashion Trade, April 1977, p.13.

¹⁰³ The Buyer: The Magazine for the Fashion Trade, August 1977, p.11.

¹⁰⁴ The Buyer: The Magazine for the Fashion Trade, August 1978, p.4.

¹⁰⁵ The Buyer: The Magazine for the Fashion Trade, January 1980, p.10.

¹⁰⁶ The Buyer: The Magazine for the Fashion Trade, July 1979, p.56.

¹⁰⁷ Board of Trade and Industry. The development and structural adjustment programme of the apparel textile and clothing industry. Report No. 2646. Pretoria: Government Printer, 1989, p.39.

South African companies including Rex Trueform. The Hepworth group of Britain for example cancelled its export contracts with Rex Trueform without prior notification. This led to a considerable foreign-exchange loss. Rex Trueform experienced a further crisis when its foreign loans secured against export proceeds were revaluated at current exchange rates.¹⁰⁸ Restrictions on South African products entering America during this period also increased the company's difficulties.¹⁰⁹ The crisis affected the company's profit margin, because exports constituted an important part of the company's earnings. This explains why maintaining the minimal profits made at the end of the 1985/86 financial year could not be guaranteed because of the uncertain domestic and export markets. The profit obtained during this period was only made because the company embarked on stringent restructuring measures, together with tight cost control. Such efforts no doubt produced the decreased turnover of 19.7 per cent in the year ending June 1986.¹¹⁰

Considering the fact that sanctions imposed against South Africa came at a time when Rex Trueform was already firmly established abroad, they did not completely disrupt its international market base. The withdrawal of some major customers did not automatically signal the end of Rex Trueform in the export market. This explains why in November 1988, the company's chairman was confident enough to claim that, "The Company's reputation for reliability, consistency, quality, value and flair, has enabled it to maintain export volumes despite the difficult international environment".¹¹¹ This statement was complemented in April 1989 by the claim that, exports were "holding up nicely" with new markets opening up,¹¹² and by November 1989 the company revealed a 33 per cent increase in export earnings.¹¹³

¹⁰⁸ *The Buyer: The Magazine for the Fashion Trade*, Vol. 53, April 1985, p.16.

¹⁰⁹ *The Buyer: The Magazine for the Fashion Trade*, Vol. 53, 11-12, February 1986, p.4. The Products to which the control applied to included; Yarns of man-made fibres (discontinuous or waste), not put up for retail sale, excluding those of cellulosic fibres. Men's and boys' trousers, slacks and shorts and parts thereof, of cotton or of silk, vegetable fibres, leather or other fibres subject to cotton restraints. Men's and boys' suit-type coats and jackets of wool or of vegetable fibres, leather or other fibres subject to cotton restraints. Women's, girls' and infants' trousers, slacks and shorts and parts thereof, of cotton or silk, vegetable fibres, leather or other fibres subject to cotton restraints.

¹¹⁰ *The Buyer: The Magazine for the Fashion Trade*, Vol.54, 6-10, October 1986, p.6.

¹¹¹ *The Rex Trueform Clothing Company Limited*, Annual Report, 1988, p.5.

¹¹² *The Buyer: The Magazine for the Fashion Trade*, April 1989, p.4.

¹¹³ *The Buyer: The Magazine for the Fashion Trade*, November 1989, p.4.

Furthermore, Rex Trueform's exports were boosted by the Board of Trade and Industry's introduction of a Structural Adjustment Programme for the clothing industry. The clothing industry was presumably identified as one of the large scale employers of the country's semi-skilled labour. Its employment capacity that was up to 112 000 by July of 1987 constituted 70 per cent semi-skilled.¹¹⁴ This explains why the government saw the need to protect its interests. The Structural Adjustment Programme, however, came at a time when South African made goods were restricted in the international market as a result of sanctions.

At the beginning of the 1990s the international attitude to South African made clothing underwent a remarkable turn around. This was as a result of the white minority government's decision to negotiate an end to apartheid. The indication of the possible withdrawal of sanctions in the 1990s signalled a brighter future for the South African economy. To properly assess the perception of the international market towards South African made goods, Steward Shub undertook a trip to Britain, Europe and the United States of America in the early 1990's and found it markedly improved. His report indicated that compared to the 1980s many customers reacted positively towards South African exports. Many who had boycotted South African products in solidarity with the anti-Apartheid struggle reopened their businesses to South African suppliers.¹¹⁵ The improved political climate internationally had a positive effect on the South African clothing industry and was welcomed by both the National Clothing Federation and individual companies within the clothing industry. Positive signs in this direction enabled Rex Trueform to acquire new clients in Europe and the Far East,¹¹⁶ with prospects of an increased international demand after the final withdrawal of sanctions.

Conclusion

The success of the founders of Rex Trueform in giving the company a prominent status within the world garment industry was first recognised in 1953 when the International Association of Clothing Designers designated Rex Trueform as the sixth

¹¹⁴ Board of Trade and Industry. The development and structural adjustment programme: Report no. 2646, p.41.

¹¹⁵ The Buyer: the Magazine for the Fashion Trade, October 1990, p.4.

¹¹⁶ The Buyer: The Magazine for the Fashion Trade, December 1990, p.4.

largest clothing consortium in the world. Its exposure at the International Convention of Clothing Designers in 1958 opened a new era in the company's history, when it became the first South African garment company to be involved in major export activities. Rex Trueform also increased its international recognition through participation at the 100th convention of the International Association of Clothing Designers in Rome in July 1960.¹¹⁷

However, the huge market enjoyed by the company within South Africa and internationally, dwindled during the 1980s, as a result of political instability in the country and sanctions abroad. Operating under such conditions, the company could barely maintain its previous profit margin. The bold advertisements placed by Rex Trueform in newspapers and other forms of media were considerably reduced during the 1980s. Efforts by Rex Trueform to maintain its international standing led to some revival in the early 1990s. However, the dominance of retail outlets within the South African clothing industry as a result of huge profits accumulated by sourcing garments from cheaper sources like the Far East (including China), is believed to have influenced the attitude and activities of Rex Trueform after 1990. Particularly of concern was the establishment of its own retail outlet Queenspark in 1990. The establishment of Queenspark influenced the overall activities of Rex Trueform in the 1990's and contributed to the closure of the Salt River manufacturing plant in 2005. To demonstrate this, it is necessary to trace the path followed by Rex Trueform between 1990 and 2005 which constitutes the subsequent chapters.

¹¹⁷ The Buyer: The Magazine for the Fashion Trade, Vol.28, July 1960, p.28a.

CHAPTER THREE

REX TRUEFORM 1994-2005.

Introduction

The 1994 democratic elections marked a turning point in all sectors of the South Africa society including the economy. In the economic domain, South Africa adopted an export oriented economic policy in its quest for economic development, the reduction of unemployment and poverty alleviation. The opening of the economy to international competition met with a negative reaction from companies in the clothing sector and became a major reason for the closures and restructuring that characterized the period after 1994 as will be seen in the case of Rex Trueform. Removing protection was regarded as a major threat to the survival of companies in the clothing sector. The chapter examines the activities of Rex Trueform between 1994 and 2005 when the company leased its Salt River manufacturing plant for five years to the House of Monatic. The chapter traces Rex Trueform's export activities between 1994 and 2005 to establish the changing nature of the company's activities. In particular, its attitude towards the export market after 1994 and the possible reasons for the five year lease of the Rex Trueform manufacturing plant in Salt River in 2005 constitute a core part of this chapter.

Export activities 1994-2005

By 1994 Rex Trueform indicated that it was on the road to recovery after a major set back recorded in the 1980s as a result of the sanctions imposed on South Africa by the international community as well as internal political instability. It should, however, be noted that Rex Trueform's export market between 1994 and 2005 as indicated by available documents fluctuated widely. An improvement in exports to the UK, Germany, the Far East, and the United States of America influenced the company's total earnings during the 1994 trading season.

However, the successes recorded during this season were not guaranteed, for as the company's director Stewart Shub indicated, the phasing out of export incentives could become another stumbling block to the company's export market. In 1995 he

criticised the hasty removal of export incentives in the following words, “I am not against the phasing down of benefits, but it must be done at the same pace as reducing the anti-export bias in the economy which these incentives were designed to compensate for. The results of that are not through yet.” Shub was attacking the government not for its economic policies, but their poor timing of “putting the cart before the horse”.¹¹⁸ Government support through export incentives was seen as imperative in sustaining the export market and the latter was regarded as a priority in the creation and maintenance of jobs in the labour intensive garment industry.¹¹⁹

These incentives were in the form of viable packages made available to exporters of labour intensive manufactured products within the clothing industry,¹²⁰ and were in line with government’s programme of curbing poverty through the reduction of unemployment. The accusation against the government became an excuse used by clothing companies to defend closures and restructuring that had far reaching repercussions on the South African economy and society. Despite the demand for more incentives by companies within this sector, further incentives by the government (as would be realised later in the case of the DCCS) failed to curb the rate of closures and restructuring within the South African clothing industry.

The period after 1995 proved difficult with regard to Rex Trueform’s export market, resulting in the reduction of orders from international customers. As a result, company management concentrated on expanding its export market through the expansion of the market share of its retail chain Queenspark. The Queenspark retail division established in 1990 played an important role in alleviating the effects of the poor performance of the manufacturing division in 1996. It boosted the company’s turnover by 20.6 per cent in 1996. It was for this reason that Queenspark was described in 1996 as “a jewel in the crown”.¹²¹ Queenspark was then regarded as an important channel to market Rex Trueform clothing both at home and abroad. Following this decision, four new Queenspark branches were opened in 1997,

¹¹⁸ The Cape Argus, Thursday, October 26, 1995, p.26.

¹¹⁹ The Stock Exchange Handbook, September 1997-February 1998, p.267.

¹²⁰ Rex Trueform Clothing Company Limited. Annual report 1990, p.5.

¹²¹ Weekend Argus, March, 16/17 1996, p.5.

including its first franchised store in Windhoek, Namibia, which according to management was meant to stimulate its export market.¹²²

By 1997 the company's diversification was regarded as an added advantage, because the manufacturing division served both exports and Queenspark retail (whose market share was of great benefit to the shareholders).¹²³ The Queenspark retail division reportedly accounted for a significant proportion of the company's production capacity,¹²⁴ but the subsequent closure of Rex Trueform manufacturing alongside the continuous expansion of Queenspark suggests otherwise. It is difficult, however, to assess if Queenspark could have sustained the manufacturing arm of the company following the loss of its major export customers in the United States of America and the United Kingdom. The unavailability of the cost structure of the company is a limitation to this analysis.

Despite these setbacks, Rex Trueform continued to espouse the need to maintain international competitiveness. The company believed that this could be done through better productivity, training, improvements in production facilities, investment in technology and the reduction of overheads.¹²⁵ Despite these strategies, the volatile nature of the Rand during the 1998 trading season affected Rex Trueform's profit margin in the export market, which by 1998 was centred largely in the United Kingdom, Europe, and the USA, where the companies tailored garments were marketed particularly to large retailers.

As a result of the 1998 difficulties, the company in 1999 relied mostly on the retail division which according to management was the major contributor to both the company's turnover and profit. For this reason Rex Trueform transferred the company's listing on the Johannesburg Stock Exchange from the clothing sector to the retail sector in 1999.¹²⁶ The company's export market was reportedly limited in

¹²² Business Day (online), December 1, 1997 and p.11.

¹²³ The Rex Trueform Clothing Company Limited. Annual Report, 1997, p.8.

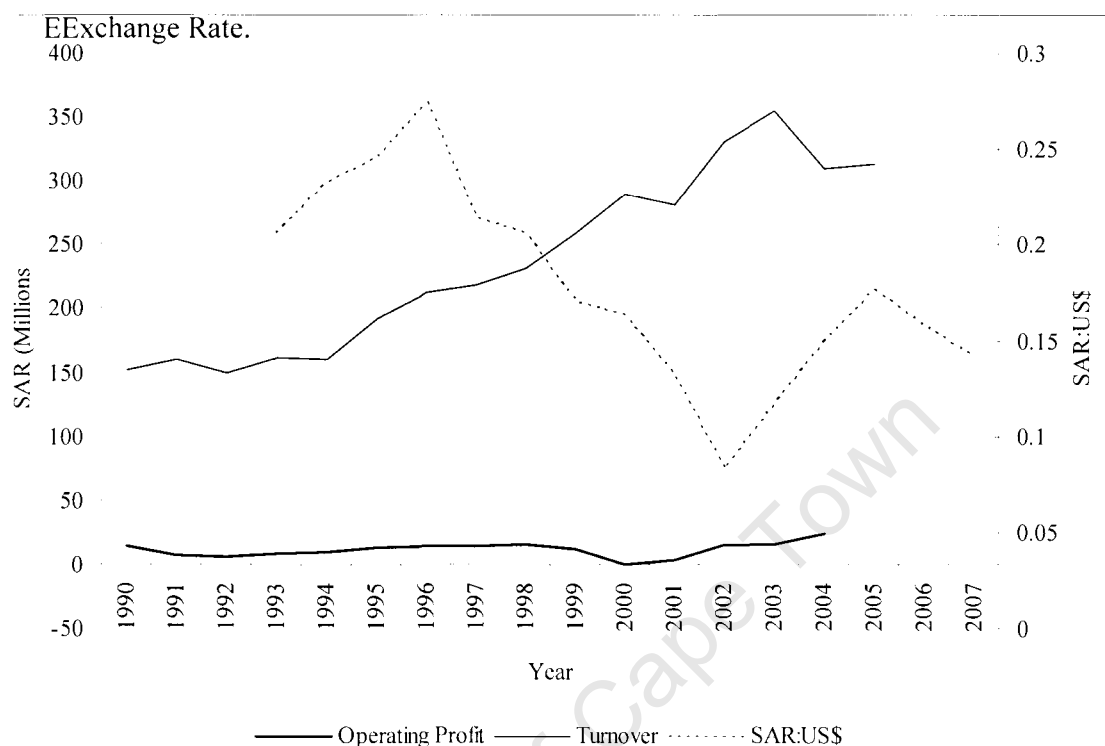
¹²⁴ Ibid, p.8.

¹²⁵ Ibid, p.9.

¹²⁶ The Rex Trueform Clothing Company Limited. Annual Report, 1999, p.6.

1999 by strong competition on the global market. As a result, it was impossible for exports to attain the goal of achieving growth potential and providing employment.¹²⁷

Figure2. Rex Trueform Turnover and Operating Profit and the SAR: US\$.¹²⁸



Note: Figures are divided by 1000 to convert to millions of SAR

It was reported in 2000 that Rex Trueform's export market was mostly based in the UK and did not look promising. The company, however, remained optimistic based on the new international trade relations being forged by the post-apartheid government. These were eclipsed however by Rex Trueform's significant infrastructural investment in opening new retail stores all over the country including; Pretoria, Rustenburg, Nelspruit and Johannesburg.¹²⁹ The accelerated expansion of the Queenspark retail division was enhanced by its positive contribution to the company's profit margin. Although Rex Trueform continued to encounter difficulties in 2000 that were attributed mainly to the unprotected domestic market and strong Rand that negatively affected the export market, it reported the acquisition of solid export orders

¹²⁷ The Rex Trueform Clothing Company Limited. Annual Report, 1999, p.6.

¹²⁸ Rex Trueform Annual Reports/the Johannesburg Stock Exchange Handbook/ DataStream database (accessed 10 August 2007).

¹²⁹ Cape Times Business Report Thursday, March 9, 2000, p.3.

from the US. This was a consequence of the AGOA trade agreement,¹³⁰ which according to Rex Trueform was the catalyst for the re-generation of large scale business.

However, the company's exports in 2001 recorded an all time low. As shown on Figure 1 above, 2001 marked the most difficult trading season for the company. However, management predicted that following the extension of the Duty Credit Certificate Scheme (DCCS) for five years, the implementation of the EU trade agreement as well as AGOA, the near future could be brighter for exports. The DCCS was introduced by the South African government, as a compensatory measure, to influence and encourage textile and clothing manufacturers to compete internationally, independent of the government subsidies that applied before 1993 in the Structural Adjustment Programme. Based on proof of export growth and compliance with Export Requirements, participants could receive refunds on customs duties paid for goods exported.¹³¹ Benefits within the DCCS were also extended to imported items as illustrated on table 1 below.

Table 1: Products allowed for export and import under the DCCS.¹³²

Exporter	Product exported	Product allowed to imported
Manufacturing of Clothing and Clothing Accessories	Clothing and Clothing Accessories	Fabric, Clothing Clothing Accessories
Knitter of Clothing and Clothing Accessories	Clothing and Clothing Accessories	Yarn, Fabric, Clothing and Clothing Accessories
Manufacturer of Household Textiles	Household Textiles	Fabric and Household Textiles
Manufacturers of Fabric and other Textiles	Fabric and other Textiles	Yarn, Fabric and other Textiles
Manufacturers of Yarn	Yarn	Yarn

¹³⁰ Financial Mail (online), July 7, 2000, p.45.

¹³¹ Government Gazette, Republic of South Africa (Department of Trade and Industry). Guidelines, Rules and Conditions to the Duty Credit Certificate Scheme, March 2002, p10.

¹³² Government Gazette, Republic of South Africa: Guidelines, Rules and Conditions to the Duty Credit Certificate Scheme, March 2002, p.15

It should also be noted that only products exported to areas outside the Southern African Customs Union (SACU) qualified as exports in terms of the DCCS regulations.¹³³ Rex Trueform's hopes of a quick recovery were, however, slow to materialise due to difficult trading conditions in the international market, caused by the stronger Rand. The difficulties were compounded by Rex Trueform's subsequent loss of major export customers.¹³⁴ Marks & Spencer, Rex Trueform's largest export customer in the UK in 2001 was lost due to unspecified internal problems within Rex Trueform.¹³⁵ The loss of export markets forced Rex Trueform to concentrate on its profitable retail division. The immediate result was the opening of more Queenspark stores in the Australian market.¹³⁶ Within a few years, Queenspark Australia grew to comprise eight stores in different locations including; Castle Towers, Macarthur Square, Canberra Centre and Westfield Southland.¹³⁷ Hoping to benefit from the South African trade agreements and compensate for losing its UK customer, Rex Trueform forged new relationships with prospective retail partners in the US market. Despite difficulties encountered by the company in 2001, it was reported that the group was strong financially and capable of embarking on any further investments with capital from within.¹³⁸

In a company review at the end of 2002, the important role played by AGOA, the Clothing Export Council and the Department of Trade and Industry through the DCCS in promoting the export market was acknowledged by Rex Trueform. According To Rex Trueform a more stable market environment existed as a result of these government efforts to encourage production for the export market.¹³⁹ Amidst such acknowledgements, Rex Trueform restructured its business into three separate components; Queenspark (retail), Rex Trueform (clothing manufacturing) and an independent distribution department.¹⁴⁰

¹³³ Government Gazette, Republic of South Africa. Guidelines, Rules and Conditions to the Duty Certificate Scheme, March 2002, p15.

¹³⁴ The Stock Exchange Handbook, January-June 2002, p.358.

¹³⁵ Financial Mail (online), October 26, 2001, p.50.

¹³⁶ Cape Times Business Report, Tuesday, March 17, 1994, p. 12.

¹³⁷ http://www.queenspark.com.au/html/s12_content/default.asp?inid=10. Accessed 10 August, 2007.

¹³⁸ The Rex Trueform Clothing Company Limited. Annual Report, 2001, p.10.

¹³⁹ The Stock Exchange Handbook, January-June 2003, p.16.

¹⁴⁰ *Ibid*, p.336.

Rex Trueform's reliance on the retail chain remained unchanged by 2003. The profitability of the company as in previous years was positively linked to the good performance of Queenspark. The performance of the manufacturing division became almost insignificant. It was reported that Queenspark, in addition to accounting for almost half of the group's turnover, had a net operating income almost five times that of the manufacturing division.¹⁴¹ The huge operating cost of Queenspark and the amount of support it received, especially after its listing within the retail sector in 1999, gave it an edge in performance over the manufacturing arm of the company. Such decisions were influenced by the need to protect the interest of shareholders in an uncertain export market that was in most cases determined by the volatile Rand. As a result, it became clear that Queenspark outlets both within and beyond South Africa's borders became the new growth market of the group, hence the opening of a new franchise store in Gaborone, Botswana in 2003.¹⁴² As a result of the success of its franchise stores in Australia, Namibia and Botswana, the management of Rex Trueform regarded franchising as an appropriate route to follow in the marketing of the Queenspark product range, image and store formula outside South Africa.

The strong Rand and the highly competitive global market were given by Rex Trueform in 2004 as the main reason for low profitability that extended to its retail division. It was alleged that such conditions reduced the ability of the Rex Trueform Company to price competitively in the world market. The strong Rand, according to the management of Rex Trueform, influenced the cheaper prices charged on imported clothing compared to those that were manufactured locally.¹⁴³ The end result was a drastic cut in the profitability of the company both locally and internationally, a phenomenon that affected the entire South African clothing industry in the period. It was as a result of these circumstances that Rex Trueform announced its intention to downsize by cutting back on its manufacturing operation, in order to concentrate on its retail division. In preparation for such adjustments, 140 Rex Trueform employees were retrenched in 2003 at a cost of R4million to the company.¹⁴⁴ The 2003 retrenchment opened the way to the final closure in 2005.

¹⁴¹ Business Day (online), March 11, 2003, p.16.

¹⁴² Business Day (online), October 17, 2003, p.17.

¹⁴³ Business Day (online), September, 13, 2004, p.15.

¹⁴⁴ Business day (online), September, 17, 2004, p.12.

Despite the 2003 retrenchments, limited export opportunities exerted pressure on the profit margin of the company which was allegedly derived mainly from the retail division, Queenspark. It was suggested that the loss making manufacturing division be further restructured to enable shareholders to enjoy the benefits derived from the profitable retail chain. In 2004 therefore, the company embarked on further downsizing within its manufacturing division to overcome the adverse effects imposed by the strong Rand on the export market.¹⁴⁵ This explains why the success recorded by the Queenspark franchise stores in Windhoek and Gaborone made the company regard franchising as an alternative to further investments.¹⁴⁶ It was claimed that the highly competitive trading conditions in the clothing and textile industry (especially with the availability of cheaper brands) resulted in a larger than expected loss in Rex Trueform's manufacturing activities in 2004. Rex Trueform blamed the strong Rand in 2003 and early 2004 that curtailed the competitiveness of South African products in major markets like the United States of America. This led to the loss of volumes of export business because customers in the United States for example started sourcing from cheaper suppliers, including China.¹⁴⁷

Rex Trueform, in an attempt to explain the state of the clothing industry at the time, claimed that high priced locally manufactured garments resulted from the high wage structure and high cost of imported raw materials due to the strong Rand. However, the company's orientation towards high priced quality brands contributed to its inability to compete both nationally and internationally. Unable to compete internationally, Rex Trueform concentrated the bulk of its resources on the expansion of its retail division that relied mostly on cheap imported garments. It was for this reason that more new stores were opened locally within this period at Clearwater Mall in Johannesburg and Musgrave and La Lucia in Durban. There was also the relocation of the Centurion Mall store in Johannesburg and the expansion of the Sandton City Shopping Centre store in Johannesburg.¹⁴⁸

The US export contract had been the only remaining hope to revive Rex Trueform's export market, following the loss of similar opportunities in the UK. With the

¹⁴⁵ The Stock Exchange Handbook, January-June 2005, p.264.

¹⁴⁶ The Rex Trueform Clothing Company Limited, Annual Report, 2004, p.9.

¹⁴⁷ The Rex Trueform Clothing Company Limited, Annual Report, 2005, p.11.

¹⁴⁸ <http://www.rextrueform.com/images/finacials/991.gif...>

subsequent loss of this contract within the US retail market, the only remaining option was for the management of Rex Trueform to consider closing its loss-making manufacturing plant in Salt River. It was under these circumstances that the management of Rex Trueform formally announced in March 2005 that the company needed to cut losses that had been accumulating for the past six years amounting to nearly R60million. This was summarised by the company's CEO in the following words, "We have hung on for six years, making losses of almost R60 million in the manufacturing division. It would appear, however, that there is little hope of the situation improving. We must now seriously consider rationalising our costs." It was indicated that a possible option on the table was the closure of the Salt River plant.¹⁴⁹ The Atlantis plant that produced shirts and leisure wear for the group was not affected by the proposal.¹⁵⁰ Most of the company's production activities at Salt River were to be shifted to the Atlantis factory.

The reasons presented by Rex Trueform were applicable to all South African clothing manufacturers and exporters, many of whom expressed their unhappiness about the prevailing market situation at the time. However, it is important to take a closer look at the why and how of the relationship that existed between Rex Trueform manufacturing and its retail outlet Queenspark. When one looks at the reasons presented for the closure of the Salt River manufacturing plant, it is logical to ask why and how Queenspark retail outlet acquired huge profits, while its manufacturing arm was operating at a loss. Based on the fact that Queenspark was established to serve as a retail arm to Rex Trueform manufacturing, its huge profits and the ironic losses accumulated by the manufacturing division make it difficult to understand the relationship that existed between the two divisions. A year after its establishment, management proclaimed that "Our Queenspark division is providing an improved distribution channel for our quality garments and is resulting in better margins and more reliable flow for our factories. Queenspark is proving to be a popular and successful innovation. It has grown rapidly and now represents an important part of our business."¹⁵¹

¹⁴⁹ <http://www.busrep.co.za> - Rex Trueform's landmark plant likely to shut up shop. March 7, 2005.

¹⁵⁰ *Business Day* (online), March 7, 2005, and p.15.

¹⁵¹ *The Rex Trueform Clothing Company Limited*. Annual Report, 19991, p.5.

At this stage, management was ready to use Queenspark to strengthen the entire business. This commitment seemed to have disappeared as the years progressed. Although the company was listed under the retail sector and further restructured into independent departments, there is no documentation of their relationship with regards to sourcing. If Queenspark made huge profits and Rex Trueform manufacturing operated at a loss, where did the former source its stock? Was it because Rex Trueform products were too costly to accumulate enough profit to keep both the manufacturing and retail arm in operation? From these unanswered questions, it is logical to assume that the establishment of Queenspark heralded a new dispensation for Rex Trueform despite the promises made by management that it was to be an integral part of the manufacturing division.

The opening up of South Africa's market after 1994 is suggested to have contributed significantly in reducing Rex Trueform's market share. Despite the popularity enjoyed by the company prior to 1994, the importation of low cost garments made competition practically impossible. The company's inability to compete effectively with cheap imports was prejudiced by its orientation towards high priced quality products. Its products were unaffordable to the average South African. Rex Trueform workers themselves were unable to afford the clothes because of their high prices. As Connie September, former worker and unionist at Rex Trueform said, "The only time they themselves were able to afford those clothes is when the company had a sale, or if they saved to buy them."¹⁵² The establishment of Queenspark was meant to serve the manufacturing plant while at the same time using profits from cheap imported products to supplement the company's profit margin. This became company policy following the deterioration of international market conditions worsened by the volatile Rand. The company henceforth concentrated on the retail chain as its survival mechanism.

This explains why the numerous Queenspark outlets opened on an annual basis within South Africa and beyond could not adequately sustain the manufacturing division. As a survival mechanism, the company was forced to source its garments cheaply in the Far East (including China). A visit to Queenspark Salt River in late 2006 confirmed

¹⁵² Cape Argus, Wednesday March 9, 2005, p.12.

this. Brand names, including JC Crew were now made in China. These brand names are sewed either at the back or front of the garments to welcome the customer with the ‘supposed quality’ that goes with the brand names, but inside the item is labelled ‘made in China’

It should also be recalled that when the decision was taken to shut down the Salt River manufacturing plant the Atlantis factory was not affected, because it produced for the Queenspark retail outlets. With evidence of the company producing and/or sourcing from China, it is important to examine the role of the Atlantis factory within the group. If the Salt River factory was shut down because of the inability of its products to compete with cheap imports, it is logical to ask why the Atlantis factory is still in operation.

If one looks at the Queenspark stores that were established between 1990 and 2005 and the healthy profits they generated at face value, it might be difficult to accept claims that Rex Trueform manufacturing closed down because it could not get adequate orders to operate profitably. However, it is impossible to arrive at tangible conclusions because of the unavailability of the company’s cost structure. This concern was raised by Ebrahim Patel when he said, “Rex Trueform was not staring financial crisis in the face. Instead of focusing on the losses it claims to have sustained over the past few years, its retail outlet Queenspark needs to source more of its goods from Rex Trueform”¹⁵³ These assumptions and speculations are prejudiced by the lack of data related to the number of units that were sourced by Queenspark from Rex Trueform manufacturing. Such procurement data and the possible profit margin could end such speculation. Queenspark retail outlets established between 1990 and 2005 are listed in Appendix 1.

Queenspark operated about fifty retail outlets in South Africa and abroad by 2005. However, the lack of statistics regarding the number of units that were handled by the retail division suggests another possibility. It is difficult to ascertain if the number of units handled by the Queenspark retail outlets were sufficient to keep the manufacturing division in operation. Bearing in mind claims by the South African

¹⁵³ Cape Argus Tuesday, March 8, 2005, p.1.

clothing industry of high input costs, it is also logical to ask if sufficient profit to sustain the entire Rex Trueform operation could have been generated had Queenspark sourced its supplies only from its manufacturing division.

Conclusion

The opening of Rex Trueform's retail outlet Queenspark in 1990 completely changed the perception of management toward the manufacturing plant in Salt River, despite more than three decades and excellent performance on the international market. The manufacturing plant was henceforth portrayed as unprofitable and a burden to the company. The manufacturing plant was regarded as an incidental not an integral part of the business. This was made clear in 1999 when Rex Trueform's listing on the Stock Exchange was changed to the retail not the manufacturing board. In 2002 Rex Trueform was further restructured into three separate businesses. This made it easier to distinguish which sector of the business was a burden to the company. By March 2005, Rex Trueform's share holders refused to continue subsidising the 'unprofitable' manufacturing operations through the group's successful Queenspark retail chain.¹⁵⁴ The unprofitable perception attached to the manufacturing plant over the years was enough reason to announce its insolvency and consequent closure in 2005. As a result, the company deviated from its earlier commitment towards creating and maintaining jobs within the Western Cape clothing industry.¹⁵⁵ Despite the speculation that surrounds the actual reasons for the leasing of the Salt River manufacturing plant, a lot of interest was shown by potential bidders when the decision to lease the factory was made public. Although the factory was leased to the House of Monatic, the consequences of the retrenched workers had an impact on the Cape Town economy.

¹⁵⁴Business day (online), March 7, 2005, p.15.

¹⁵⁵ The Rex Trueform Clothing Company Limited, Annual Report, 1989, p.5.

CHAPTER FOUR

THE REX TRUEFORM TAKE-OVER

Introduction

The take-over of Rex Trueform Salt River in 2005, which management claimed was a by-product of globalization attracted a lot of attention in both political and economic circles because close to 1000 jobs were at stake. The closure was necessitated by the company's desire to migrate from manufacturing to the profitable retail sector.. In addition, the parties involved in the take-over negotiations, the nature of the negotiations, and the interest shown by the potential bidders raised questions with regards to the reasons offered by its owners for the closing of Rex Trueform manufacturing.

The Road to take-over

South African industries in the 1990s were confronted by new challenges that were brought about by South Africa's reintegration into the changing global market environment. Most industries resorted to restructuring in order to adapt to the changing context within the national and international markets. As a result Rex Trueform diversified and established itself firmly within the retail sector in 1990. The establishment of Queenspark, however, significantly altered the focus of the company's business away from the manufacture of garments for the local and export markets. The retail chain Queenspark became the major focus in terms of resource allocation and manpower. Its profitability encouraged management to gradually scale back the manufacturing arm.

The first step towards this end was the delisting of the company as a manufacturing entity in March 1999¹⁵⁶ and secondly a clear segregation between the various departments of the business in 2002.¹⁵⁷ The separation of functions was an indirect way of making the various departments independent from one another. Queenspark in this way therefore became a wholly owned subsidiary; separate from the company's

¹⁵⁶ The Rex Trueform Clothing Company Limited, Annual Report, 1999, p.6.

¹⁵⁷ The Stock Exchange Handbook, January-June 2003, p.336.

manufacturing activities.¹⁵⁸ Queenspark was not henceforth obliged to source all its goods from Rex Trueform, at a time management was complaining of the impact of cheaper imports from China on its manufacturing division. The manufacturing division was henceforth merely a customer of Queenspark. With Queenspark operating as a retail outlet, it was obliged to compete for profit with other retail chains like Woolworths, Foschini, and Edgars, by purchasing most of its garments from China. This explains why management, under criticism, acknowledged that, “Queenspark remains a major customer of Rex Trueform manufacturing but was nonetheless obliged to continue the purchase of fashionable imported clothing [from China] to remain competitive in the retail field.”¹⁵⁹ It is alleged that the value of shirts made in China was less than the cost of the cotton fibre required to produce the same shirt locally.¹⁶⁰ This policy negatively affected the company’s manufacturing arm which unfortunately did not benefit from the expanding retail division. As Terry Bell puts it, “The retail division was therefore metaphorically cutting the throat of the manufacturing division in order to survive and compete against other importers.”¹⁶¹

Although Rex Trueform had historically presented itself as a pace setter within the South African garment industry through the introduction of new brands, it was now alleged that the company’s closure was due to years of losses caused by changing fashion trends and cheap imports.¹⁶² After the 1970s Rex Trueform concentrated on promoting its existing brands without any noticeable development of new brands. Contemporary globalization dramatically changed the lifestyles of people worldwide, including dress codes. For clothing industries to survive they had to adapt to the changes, including the need to produce low cost garments aimed at the bottom end of the market that constituted the bulk of the potential consumer base. Rex Trueform’s manufacturing operations, however, were geared towards the tailoring of men’s suits, jackets and trousers for the top end of the market. The general shift in consumer preferences towards casual wear, both locally and overseas contributed to the company’s decision to source cheaply manufactured casual and leisure wear from

¹⁵⁸ Cape Times Business Report, Wednesday, April 23, 2003, p.3.

¹⁵⁹ <http://www.rextrueform.com/images/financials/991.fig...> -Accessed 4 March 2007.

¹⁶⁰ Business Day (online), March 14, 2005, p.2.

¹⁶¹ <http://www.busrep.co.za> – Contradictions reign in Chinese import puzzle, May 6, 2005-Accessed 28 February 2007.

¹⁶² Business Day (online), March 14, 2005-Accessed March 7, 2007.

China. According to management, the decision that was meant to ensure profitability contributed to consistent losses in the manufacturing division.¹⁶³

Effects of the leasing of Rex Trueform

The leasing of Rex Trueform in 2005, including the loss of close to 1000 jobs, had political, social and economic ramifications within the Western Cape. Owing to the fact that a bulk of the company's employees was unskilled, mainly female bread winners of usually large families, the closure did not only mean joblessness, but the increase of poverty in already devastated working class communities. Most of the workers supported on average five other family members who also suffered as a result of the closure. The multiplier effect of the closure was felt beyond the employees and their immediate families. The spending power of the retrenched workers also determined the livelihood of many others including shopkeepers and merchants.¹⁶⁴ As Ebrahim Patel summarised it, "The social effects of retrenching 1000 workers would be devastating, because it would affect everything from health to education, and the level of human misery in our city will rise dramatically."¹⁶⁵ Support industries that supplied accessories to Rex Trueform were also hard hit as a result of the decision to lease the factory.¹⁶⁶

Considering the fact that most of the workers had more than twenty-eight years of service within the clothing sector, it was particularly difficult to adapt in a society with an unemployment rate of around 40 percent.¹⁶⁷ An example was that of mechanist Nubawiya Guyan who worked for Rex Trueform since she was 14. At the age of 42 she was apprehensive about returning to the job market because it meant leaving what she had been trained to do. She expressed this concern when she said, "For the past 28 years this is where I have spent most of my time."¹⁶⁸ Available

¹⁶³ <http://www.busrep.co.za> –Rex Trueform's landmark plant likely to shut up shop, March 7, 2005- Accessed 28 February 2007.

¹⁶⁴ <http://www.sacc.org.za/news05/savejobs.html> -Accessed March 3, 2007.

¹⁶⁵ *Cape Argus*, Tuesday March 8, 2005, p.1.-'Save Rex Trueform'

¹⁶⁶ <http://www.busrep.co.za>, March 22, 2005-Accessed June 29, 2007

¹⁶⁷ *Athlone News*, Wednesday September 22, 2004, p.10.

¹⁶⁸ <http://www.busrep.co.za>, June 14, 2005- Accessed July 4, 2007.

statistics indicate that the phasing out of quotas on textiles contributed to the loss of about 4000 jobs within the clothing industry between January and March 2005.¹⁶⁹

To analyst Frank Horwitz, the closure of Rex Trueform, illustrated the numerous problems faced by South African companies in the global market place and reactions towards government economic and fiscal policies. With emphasis on the strong Rand and cheap imports from China's low-wage/low-cost economy,¹⁷⁰ many companies blamed the government for its failure to institute appropriate economic and fiscal policies, particularly the WTO clause that empowered any member country to provisionally cut back the increase in Chinese imports if these posed a serious threat to the country's entire market.¹⁷¹ Failure to apply for exemptions for certain taxes and labour laws to allow for the production of cheap and competitive goods were some of the other criticisms of the government following the closure of Rex Trueform, as was the government's hasty ending of export incentives. These incentives were regarded as important tools to enable South African companies to compete effectively internationally. The South African government was also criticised for the swift reduction of tariffs at a pace that was faster than what was required by the WTO.¹⁷² However, such claims are spurious because manufacturers were informed well in advance and the tariffs were gradually phased out within a specified time frame.

However, considering the fact that Rex Trueform thrived in the international market before South Africa's re-entry into the global market, its closure cannot be blamed completely on government policies. Available newspaper reports suggest that the decision to close the factory was more of a strategic one. The company's decision to restructure by fully establishing itself within the retail sector remains the major reason for the closure, which management has conspicuously failed to acknowledge. In most instances, the ills of globalization and government economic policies were emphasised. The confusion caused by the non-disclosure was evident when Ebrahim Rasool (ANC Premier for the Western Cape) intervened in an attempt to find an alternative solution to the closure of Rex Trueform. His efforts to identify the problem were complicated by contradictory statements from the company's CEO. This

¹⁶⁹ <http://www.busrep.co.za>. SA prepares to defend its industry- May 20, 2005-Accessed June 29, 2007.

¹⁷⁰ <http://www.busrep.co.za>. March 22, 2005-Accessed June 29, 2007.

¹⁷¹ <http://www.busrep.co.za>. March 11, 2005-Accessed June 29, 2007

¹⁷² Cape Times Business Report, Tuesday-August 14, 2001, p.4.

prompted Rasool to say that, “Sometimes the problem looks financial, but it could also be managerial, and I would satisfy myself that it is not managerial shortcomings that have resulted in such a drastic course of action as the possible closure of the factory.”¹⁷³ It should be noted that Rasool’s worry about a financial crisis at Rex Trueform was refuted by the CEO Catherine Radowsky. She stated categorically that Rex Trueform was not at the point of collapse and that it never asked for any financial bailout, when she said, “It’s got a strong balance sheet and Queenspark is very profitable.”¹⁷⁴ To her, rumours about a financial crisis were unfounded and detrimental to the interest of shareholders. Her statement again points to the real reasons for the closure of the Salt River Plant being migration to retailing.

The take-over debacle

The management of Rex Trueform engaged in talks with SACTWU led by Ebrahim Patel and the provincial government led by Ebrahim Rasool in search of an alternative solution to closing the factory.¹⁷⁵ Although it is difficult to establish the actual reasons for the nature of the intervention, it is alleged that, “SACTWU negotiated hard on Brimstone’s behalf because Ebrahim Patel wanted a Rex Trueform factory in Salt River and he wanted it to employ local people.”¹⁷⁶

The interest of the various bidders makes it more difficult to determine a proper reason for the plant’s closure. Bear Kumalo of the Columbus Group, a Black Economic Empowerment Consortium (BEE) that was the first candidate interested in saving the beleaguered Rex Trueform Company was optimistic about the future of the garment manufacturing business. In his proposal, he planned to minimize job losses through lowering labour cost per unit. Kumalo believed that reducing the wages paid to workers in the clothing industry was a reasonable survival strategy, that he thought could be implemented at Rex Trueform as a means to maintain jobs and avoid closure. This according to Kumalo would retain jobs at Rex Trueform and lead to the production of garments that would compete with Chinese imports.¹⁷⁷ Kumalo was not

¹⁷³ Cape Argus Thursday March 10, 2005, p.2.

¹⁷⁴ Cape Times May 25, 2005.

¹⁷⁵ Business Day (online), March 7, 2005, p.15.

¹⁷⁶ Sunday Times: Business and Finance (Online), May 22, 2005, p.3-Accessed March 4, 2007.

¹⁷⁷ Sunday Times: Business and Finance (Online), May 22, 2005, p.3- Accessed March 4, 2007.

the only party interested in gaining ownership of Rex Trueform Salt River. The House of Monatic also expressed a lot of interest, claiming to be motivated by the opportunity to secure profit-generating assets, contrary to claims by Rex Trueform management that the Salt River plant was unprofitable. The House of Monatic, a subsidiary of Brimstone Investment was regarded as a company already burdened with excess capacity but was the preferred bidder of SACTWU and Rasool. The decision by the House of Monatic to take-over Rex Trueform in January 2006 was called a brave move by Radowsky.¹⁷⁸

In terms of the agreement, the House of Monatic would lease Rex Trueform's machinery and premises in Salt River for five years. Although Monatic was expected to use the name Rex Trueform and certain trade marks, it was not given access to any of Rex Trueform's existing contracts which were shifted to Rex Trueform's second plant at Atlantis.¹⁷⁹ However, there were indications that the House of Monatic could be allowed to renew one of Rex Trueform's contracts for men's trousers. The agreement also specified that Rex Trueform would keep all its assets including the Salt River building that is currently occupied by the factory and the head office of Queenspark.¹⁸⁰ The deal also required the management of Rex Trueform to provide the House of Monatic with a favourable rent agreement.¹⁸¹ Considering the importance of job retention and job creation in the negotiation process, the House of Monatic indicated the possibility of re-hiring about 200 of the 920 retrenched staff from January 2006. It was estimated the numbers would increase over the years depending on the nature of response from prospective customers, especially local retail giants who were persuaded to acquire 75% of their merchandise locally. Although the 75% quota was seen as unreasonable by many retailers, the immediate response after the take-over was encouraging. Retailers like Woolworths expressed their support and many others immediately placed inquiries on labels and prices.

It should, however, be noted that the 75% quota was seen by some retailers as unreasonable because it was not feasible for the local industry to meet all the demands of the retailers. This is because for the retailers to remain competitive and responsive

¹⁷⁸ Financial Mail (online), June 24, 2005- Accessed March 20, 2007.

¹⁷⁹ Ibid.

¹⁸⁰ Ibid.

¹⁸¹ <http://www.cbn.co.za>. July 2005: Cape clothing collective- Accessed July 4, 2007.

to their customers' demands retailers must continuously source innovative, quality products at competitive prices, demands that could not be completely satisfied locally.¹⁸² By January 2006 the machines began to run again with 175 workers rehired through a screening process. Of the 175 workers, 50 were assigned to the House of Monatic located close to Rex Trueform.¹⁸³

Despite the conflicting reasons given for the closure, the need to save jobs remained the ultimate goal of SACTWU and the provincial government, thus the engagement of a consortium that could help salvage Rex Trueform. It was as a result of such interventions that Bear Kumalo lost the bid to the House of Monatic, in what he termed a "political negotiation", claiming he was refused ownership because he was not from the Western Cape. The House of Monatic, however, claimed the deal was negotiated on sound business principles.¹⁸⁴ Fred Robertson, chairman of the House of Monatic, said "Monatic and Rex Trueform have had an excellent relationship forged through many decades of doing business and we have a responsibility to a community in which the clothing industry has for so long been a major economic contributor."¹⁸⁵ It is, however, difficult to distinguish between personal relationships, politics and sound business principles when analysing the take-over of Rex Trueform. For all intents and purposes, despite the controversy surrounding the closure and the nature of the negotiations, the deal that was reached between the power brokers and the House of Monatic was a rescue deal.¹⁸⁶

However, as a result of allegations surrounding the take-over, the main reasons behind the intervention, negotiations and the decisions that were taken to award the deal to the House of Monatic remain a mystery and can constitute an important area of future research. One path to follow would be the fate of the factory after its five-year lease to the House of Monatic.

¹⁸² Cape Argus, May 17, 2005-Clothes stores snub drive to buy local.

¹⁸³ <http://www.busrep.co.za>. "Rex Trueform machines spin once again" 26 January 2006-Accessed July 4, 2007.

¹⁸⁴ <http://www.busrep.co.za>. June 15, 2005-Accessed April 7, 2007.

¹⁸⁵ Ibid.

¹⁸⁶ <http://www.cbn.co.za>. July 2005-Accessed 4 July 4, 2007.

Conclusion

Rex Trueform's attempts to adapt to changing global trends in the garment industry culminated in the establishment of Queenspark. Its establishment led to further restructuring of the company, a process that negatively affected the Salt River manufacturing plant. The company was listed under the retail sector in March 1999 and in 2002 it was further divided into separate businesses, a policy that was disadvantageous to the manufacturing arm of the business. The final decision that led to the leasing of the factory in 2005 impacted negatively on the employees and their dependant families, shopkeepers and merchants who depended on the workers' spending power. Sister industries that depended on Rex Trueform for survival were also hard hit. The need to maintain jobs that were threatened by the potential closure of the factory encouraged the intervention of the Western Cape government and the Southern African Clothing and Textile Workers' Union. Although the nature of the intervention was highly questionable, it helped broker a deal that enabled the House of Monatic to lease the Rex Trueform factory for five years. Among the terms of the lease was the gradual integration of some of the retrenched workers from the factory, of which 175 were rehired. The deal finally came into effect in January 2006. The fate of the factory after the five-year lease remains unclear.

CONCLUSION

The research into “Rex Trueform in the age of globalization” was meant to explore the circumstances surrounding the closure of Rex Trueform in 2005. This was also necessitated by the fact that management solely blamed globalization and government economic and fiscal policies for its misfortunes. This was despite its existence within the global market for three decades before 1994 when South Africa after its democratic election rejoined the international market. The paper sought to explore the inward-looking economic policies instituted during the apartheid era to identify their impact on the South African clothing industry before 1994. The behaviour of these industries after the re-integration of South Africa into the world economy after 1994 also constituted an important part of the research.

The import substitution policy instituted by the apartheid government was modified by the late 1970s as a result of the expanding nature of the South African economy not because of its failure. The government began its policy of export promotion that was, however, disrupted by sanctions imposed on South Africa by the international community. The 1994 democratic elections introduced a new dispensation within the South African political economy, in what was commonly known as an attempt to correct the errors of the apartheid regime through the reduction of unemployment and poverty. In an attempt to realise these objectives, the democratic government instituted policies such as Reconstruction and Development Programme (RDP), and later the Growth, Employment and Redistribution, Macro-economic Strategy (GEAR).¹⁸⁷

These policies were supplemented by various international agreements and accords that were meant to give South African industries advantages within the global market environment. Although this strategy was aimed at the entire South African economy, the government in some instances targeted sectors of the economy that were particularly vulnerable following the country’s readmission into the global trading environment. It was for this reason that special accords were signed to protect the interests of the textile and clothing industries. Despite the nature and intentions of

¹⁸⁷ Adelzadeh, A. “From RDP to GEAR: The Gradual embracing of Neo-liberal economic policy,” in *Transformation* no.31: *Critical Perspectives on Southern Africa*, 1996, p.66.

these policies, their implementation was criticised by organisations such as the National Clothing Federation (NCF), and the Southern African Clothing and Textiles Workers' Union (SACTWU) that represented the interest of the clothing industry. The rampant closures and restructuring that characterized the clothing industry after 1994 were blamed on the consequences of globalization and government fiscal and economic policies. Such criticisms amidst government efforts to stabilise the sector in the international market through accords raises some pertinent questions. It raises the question of whether the inward-looking policy instituted by the apartheid government created a vulnerable economic base for South Africa, or if the democratic government instituted economic policies that were not in line with the political economy of the country, considering its historical development.

Such doubt created the need to investigate if the reasons presented by companies within the clothing industry for their actions were necessitated by the ongoing changes in national and international economies at the time or mainly an excuse to move away from the manufacturing sector by investing within the profitable retail sector. These questions necessitated an in-depth investigation into the activities of Rex Trueform, a company that thrived in the global economy under the apartheid regime. This involved assessing its involvement in the export market before 1994 and how and its attitude toward the export market eventually changed after 1994 contributing to its closure in 2005.

Although the Rex Trueform Company came into existence in 1936, its international exposure began in earnest in the 1950s, beginning with the purchase of raw materials and later through branding and franchising. Rex Trueform created precedents by introducing new brands of clothes into the Southern African market that were hitherto available only in America and Europe, a scenario that continued until the early 1970s. The company's involvement in the export market followed the introduction of a new concept within the garment industry, "Balance-Line Tailoring" in 1958. It was through this concept that the company participated at the International Association of Clothing Designers at Philadelphia, U.S.A. in January 1958. Its first export order in 1959 from an American retailer that resulted from the international exposure was the beginning of the company's export market that flourished for three decades, though temporarily interrupted in the 1980s. Sanctions instituted during the 1980s by the

international community against the Apartheid regime affected South African companies, particularly those involved in the export market, including Rex Trueform.

The re-entry of South Africa into the world economy in the 1990s and the adoption of an export oriented economic policy were perceived to mark a new and positive era in the political economy of the country. Despite this perception, the post-1994 era was characterized by closures and restructuring within the clothing industry resulting in the loss of thousands of jobs. In the case of Rex Trueform, its volatile export market between 1994 and 2005 was blamed on the ills of globalization and economic policies implemented by the South African government during this period. The phasing out of tariffs and the eventual elimination of export incentives were identified as contributory factors to the company's inability to compete with cheap imported garments from the Far East, including China. The cheap imports from China in another respect created a vibrant market opportunity within the retail sector. The profitability of the retail sector eventually influenced the establishment of Queenspark, a retail division of Rex Trueform manufacturing. Though initially meant to operate as the retail arm of Rex Trueform manufacturing, some of its products were sourced from China in order to compete with other retail giants to the detriment of its manufacturing division.

The profitable nature of Queenspark eventually contributed to the listing of the company under the retail sector in 1999. In 2002, the company was further divided into three separate business components; clothing manufacture (Rex Trueform), retailing (Queenspark), and an independent distribution department. As a result of the division more credit was given to the profitable retail chain between 2002 and 2005, while Rex Trueform manufacturing was increasingly labelled a burden not an asset to the company. According to management, using funds from the profitable retail chain to bailout the loss making manufacturing arm was unfair to shareholders, hence the decision to close the company in 2005. The need to save jobs within the clothing industry led to the intervention of the provincial government and SACTWU in an attempt to look for an alternative solution. The interest portrayed by prospective bidders, however, clouded claims by management that it was unprofitable. The battle for acquisition between Bear Kumalo of the Columbus Group and the House of Monatic is testimony of this confusing and unconfirmed theory presented by the

management of Rex Trueform. When the House of Monatic successfully acquired Rex Trueform, it openly declared that it was motivated by the opportunity to secure profit generating assets, as opposed to claims of its non-profitability by its owners.

Despite the controversy surrounding the take-over process, Rex Trueform was finally leased to the House of Monatic for five years beginning in January 2006, with a clause that obliged the re-integration of a greater number of the retrenched Rex Trueform workers, although only 175 of the workers were initially taken back. Since Rex Trueform remained the sole owner of the entire Salt River building, it was obliged by the terms and conditions of the lease to negotiate a favourable rent agreement for the House of Monatic. Considering the fact that the factory was leased only for five years, some of the remaining unanswered questions about the reasons for the closure might well be clarified by 2011. The fate of the company after the five-year lease would constitute an important area for research.

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Appendix 1: Queenspark Establishments 1990-2005.

Year	Establishments within SA	Establishments out of SA
1990	Salt River/Port Elizabeth	
1992	Johannesburg/Durban	
1993	Durban/Tyger Valley-Cape Town/Roodepoort- Transvaal	
1994	Pavilion/Westville/Durban/ The Blue Route Centre/ Tokai-Cape Town/Sanlam Plaza-Bloemfontein/ Centurion Centre- Verwoerdburg.	
1995	Rosebank Mall-Johannesburg	
1996	Sunny Park Centre-Pretoria/ Southgate Mall-Johannesburg.	
1997	Victoria and Alfred Waterfront, Cavendish Square Claremont-Cape Town	Windhoek-Namibia
1998	Sandton City/Boksburg/ Alberton/Pietersburg/East London.	
1999	Kolonnade Shopping Centre- Pretoria/Waterval Mall- Rustenburg/Riverside Mall- Nelspruit/The Glen and Oakene-Johannesburg/River Square Shopping Centre- Vereeniging/Kakeside-Benoni.	
2001		Australia(5 stores)
2003	East Rand Mall, Westgate Regional Shopping Centre- Johannesburg.	Gabarone-Botswana
2004	Lucia Mall-Durban	
2005	Musgrave Centre-Durban/ Clearwater Mall-Johannesburg	

Source: Rex Trueform Annual Reports, 1990-2005.

Appendix 2

MAJOR SHAREHOLDERS

1994- African & Overseas Enterprises Ltd

- SA Mutual
- Liberty Life Association of Africa Ltd
- Argus Pens Funds
- Campobello Holdings P/L
- Torino Investment P/L
- Perkins D S
- Nestle Pens Fund

1995- African & Overseas Enterprises Ltd

- SA Mutual
- Liberty Life Association of Africa Ltd

1996-As Above

1997-As Above

1998-Principal Shareholder-* African & Overseas Enterprises Ltd

1999-Compagnie Financiere Rupert

- Richemont Securities

2000-African & Overseas Enterprises Ltd

- Old Mutual Nominees (Pty) Ltd
- South African Mutual Life Assurance Society
- Liberty Life Association of SA

2001-African & Overseas Enterprises Ltd

- Old Mutual Nominees (Pty) Ltd
- Standard Bank Nominees Tvl (Pty) Ltd

2002- As Above

2003- African & Overseas Enterprises Ltd

- Old Mutual Nominees (Pty) Ltd
- *SCMB Custody Account

2004-African & Overseas Enterprises Ltd

- Old Mutual Nominees (Pty) Ltd

2005-As Above

2006- As Above

Source: The Stock Exchange Handbook.

Appendix 3

MAJOR REX TRUEFORM BRANDS.

Cassidy, Darks London, Lanvin Paris, John Stephen of London, Miss Cassidy, Queensparks, ex Trueform, Wall Street, Lady Jeff, Baume & Mercier, Cartier, Dunhill, Mont Blanc, Peter Stuyvesant, Piaget, Purdy, Redford, Emelio Testoni, Gerald Austin , Giorgio, J. Crew, Pat Shub.

Source: The Stock Exchange Handbook.

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